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New French Cabinet: Mitterrand's reshuffle gamble, Page 12

NEWS SUMMARY

GENERAL

Falklands talks break down

Talks in Berne between Britain and Argentine diplomats, the first since the Falklands war, broke down yesterday.

British Foreign Secretary Sir Geoffrey Howe blamed the Argentines for not continuing on the agreed basis. "That was that if the Argentine representatives raised the subject of sovereignty (of the Falklands), the British representatives would reply that they would not discuss it."

The Argentine representatives, he said, "argued that discussion of normalising relations had to be linked to discussion of sovereignty."

Mondale unity bid

Walter Mondale began the uphill struggle of uniting a fractious Democratic Party after winning the party's presidential nomination at San Francisco. Page 14

Gulf 'attack'

Iraq said it had attacked "a very large naval target" south-east of Iran's Kharg Island oil terminal in the Gulf. Page 3

Gandhi portfolio

Indian Prime Minister Indira Gandhi will take temporary charge of the External Affairs Ministry in a government reshuffle. Page 3

Sikh rivals

The five high priests at the Golden Temple in Amritsar, holiest shrine of the Sikh religion, might excommunicate the head of a rival group which is repairing the temple complex, the Press Trust of India said.

Mines to close

Taiwan will shut down all coal mines deeper than 1,600 ft from next month after two disasters in which 176 workers were killed in the past month. Some 70 or 80 mines may be affected.

Strike continues

A month-old strike by Spanish airline pilots grounded 58 domestic and 12 European flights despite a government decision to submit it to binding arbitration, an Iberia spokesman said.

Tripoli clashes

Clashes erupted between rival Moslem militias in Tripoli. Lebanese security forces said no casualties were reported although rocket-propelled grenades and automatic weapons were used.

Businesses bombed

Two bombs exploded in businesses in the towns of Oyarzun and Renteria, near San Sebastian, causing damage but no casualties.

Muldoon may quit

New Zealand's outgoing Prime Minister, Sir Robert Muldoon, under criticism for his handling of the country's currency crisis, indicated that he might step down as leader of the National Party early in the New Year. Page 3

Christian demand

Representatives of 250,000 Christians who fled the Druze-held mountains of central Lebanon because of Christian-Moslem fighting, demanded that the Government arrange their immediate return home under army protection.

Gunman kills 20

A gunman, recently dismissed as a security guard, shot dead 20 people and wounded 13 with a submachine gun in a restaurant in California before being killed by a police marksman.

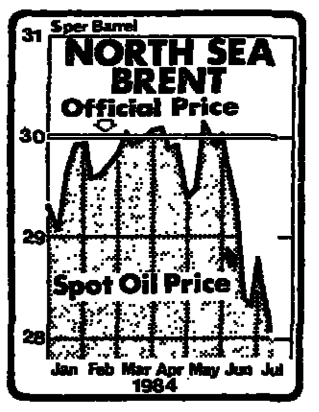
BUSINESS

Flick may sell Krauss Maffei

FLICK, West German industrial group, is negotiating sale of its Krauss Maffei armaments subsidiary, perhaps to the Messerschmitt-Bölkow-Blohm aerospace group. Page 14

NATIONAL WESTMINSTER, Britain's second largest bank, is to raise £236m ($310m) through a deeply discounted rights issue. Page 14; News Analysis, Page 23; Stock Markets, Section III

IBM is negotiating with the Mexican Government to set up a big manufacturing operation for its personal computer range in what would be its fourth main production unit worldwide. Page 4



OIL: spot price of Brent, North Sea marker crude, fell to $28 a barrel. Texaco is cutting by a third its oil purchases from British National Oil Corporation. Page 14

WALL STREET: The Dow Jones industrial average closed down 8.72 at 1,102.92. Section III

DOLLAR was lower in London at DM 2.8445 (DM 2.862), SwFr 2.407 (SwFr 2.421ā, FFr 8.725 (FFr 8.785) and Y243.0 (Y243.9). On Bank of England figures, the dollar's trade-weighted index fell to 136.8 from 136.9.In New York it closed at DM 2.848, SwFr 2.409, Y243.2 and FFr 8.739. Page 35

STERLING gained 1.3 cents in London to $1.3265. It was also higher at DM 3.7775 (DM 3.76), FFr 11.6 (FFr 11.54), SwFr 3.1975 (SwFr 3.18) and Y323.0 (Y319.5). Its trade-weighted index rose to 78.6 from 78.2. In New York it closed at $1.325. Page 35

GOLD rose $5.50 on the London bullion market to $350.75. It was also higher in Frankfurt at $350.50 and in Zurich at $350.75. In New York the Comex July settlement was $347.70. Page 34

U.S. money supply M1 rose $1.7bn to a seasonally adjusted $546.2bn in the week ended July 9.

TOKYO stocks suffered from a weak yen. The Nikkei-Dow average fell 119.46 to 10,088.79. Section III

LONDON equities were jolted by rights issue and labour pressures by rights issue and labour pressures. The FT Industrial Ordinary index shed 5.1 to 764.7. Section III

CREUSOT-LOIRE chairman and board have resigned and agreed to the appointment of a temporary administrator to take charge of group. Page 2

FRANCE: Three state-owned groups are to file shelf registration documents with the SEC, raising speculation that France is preparing to return to the U.S. bond markets after an 18 month gap.

DOW CHEMICAL, the second largest U.S. chemical group, expects the settlement of lawsuits involving Agent Orange to have little effect on its earnings, which rose from $93m to $208m in the second quarter. Page 15

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Communists place conditions on Fabius support

BY DAVID HOUSEGO AND PAUL BETTS IN PARIS

THE FRENCH Communist Party yesterday refused to join the new government formed by M Laurent Fabius, who took office on Wednesday as the country's youngest Prime Minister.

The split between the Communists and the Socialists – coalition partners since the Left came to power in 1981 – marks an historic turning point in the seven-year Administration of President François Mitterrand. It leaves the Socialists ruling on their own with an overall majority in the National Assembly but with the backing of only 21 per cent of the French electorate on the basis of their score in last month's European elections.

After announcing early yesterday morning that they would not take part in the new government because of their strong objections to its tough economic and industrial policies, the Communists none the less said they would support it on measures corresponding to the original joint electoral pledges of 1981.

M Fabius immediately decided yesterday to put their attitude to the test by seeking a vote of confidence in the National Assembly on Tuesday.

M Jacques Delors, the outgoing French Finance Minister, is to be the new President of the EEC Commission. Irish Prime Minister Dr Garret FitzGerald announced after consulting the Community's other nine Governments. Page 14

The departure of the Communists from the Cabinet was offset by the surprise inclusion of left-wing leaders of the Socialist Party.

They included M Jean-Pierre Chevènement, the former Industry Minister, who was given the Education portfolio with the difficult task of soothing the controversy over private schools, and M Pierre Joxe, leader of the Socialist parliamentary group, appointed Interior Minister.

With these exceptions the Cabinet includes few new faces. M Pierre Beregovoy, former Minister of Social Security, has taken over the Finance portfolio from M Jacques Delors, who is moving to Brussels as the new President of the European Commission.

M Claude Cheysson has been maintained as Minister of Foreign Affairs. Mme Edith Cresson takes over from M Fabius as Minister of Industry while retaining her existing job in charge of External Trade.

The portfolio of Minister of Research, also held formally by M Fabius, has been given to M Hubert Curien, the leading figure in France's space programme.

President Mitterrand thus has not used the opportunity of the Cabinet reshuffle to carry out the expected political shift to the centre that was expected of him.

Underlining the Government's intention to continue to maintain existing non-inflationary policies, the Cabinet last night approved the outlines of the 1985 budget, which provides for a 6 per cent increase in spending. That means that with an anticipated inflation rate next year of 5-6 per cent there will be no increase in real terms.

In fulfilment of his pledge last September to cut the overall tax burden next year, M Mitterrand announced last night cuts in personal and corporate taxes amounting to FFr 32bn ($3.6bn). He confirmed that the *taxe professionnelle* – a type of payroll tax – would be reduced by FFr 10bn and that income tax would be also cut by FFr 10bn.

Continued on Page 14

Why Communists have refused to join new Government; Cabinet profiles; Creusot-Loire chief and board resign, Page 2; Feature, editorial comment, Page 12; Full Cabinet list, Page 14; Paris Bourse reaction, Page 25

VW extends holidays to cut working time

BY JOHN DAVIES IN FRANKFURT

VOLKSWAGEN, West Germany's biggest motor vehicle manufacturer, has agreed to give employees shorter working hours in the form of nine extra days off annually.

The company also claims to have secured agreement on more flexible working arrangements which would, for example, open the way to a six-day week in busy times and a four-day week in slack times.

The agreement on working hours is based on, but in some ways differs sharply from, the model proposed by Herr Georg Leber, the mediator in the recent seven-week strike by West German metalworkers.

VW has its own labour contracts with the metalworkers' union, IG Metall, but had waited for the outcome of the strike, which virtually crippled the motor vehicle industry, before renegotiating them.

As in the Leber model, VW has agreed to cut the working week on average from 40 hours to 38.5 for its 112,000 employees in West Germany. Normal working shifts will still last eight hours. The cut in working time will be in the form of nine extra days of paid leave.

VW workers generally have 30 day's annual leave. The nine extra days are to be split up over seven periods of the year.

The company is conceding the shorter hours from January 1 next year, three months sooner than other employers.

While the Leber model is based on weekly working hours, the VW version is an agreement on 2,008 working hours per year, which works out to be six more than in the Leber scheme.

Annual regulation of working hours, VW believes, opens the way to Saturday work in busy times such as spring, and a four-day week in slack times such as autumn. The agreement also provides that workers must be paid for overtime of up to 10 hours a month and overtime beyond that to be compensated with time off.

VW believes that its agreement is more flexible and less bureaucratic than the Leber model. This envisages weekly working hours varying between 37 and 40 and provides for monthly monitoring of working hours in each factory.

The Leber model also lays down that the weekly working hours are to be spread over five days and that the average of 38.5 hours must be reached during a two-month span.

Metal strike depresses German car output, Page 2

Chrysler earnings advance to record $802.9m in quarter

BY TERRY DODSWORTH IN NEW YORK

CHRYSLER, the U.S. motor manufacturer, continued its record-breaking financial run in the second quarter of this year, when it achieved net profits of $802.9m, topping its first-quarter performance, itself a record, by almost $100m.

The earnings figure, equivalent to $6.48 a share, compares with $310.3m, or $2.41 a share, a year ago, and means that first-half net income rose to $1.5bn, or $12.12 a share, against $482.4m, or $4.72 a share in 1983.

Sales, buoyed by new product introductions, jumped to $5.3bn from $3.6bn in the quarter, and rose to $10.2bn against $6.7bn in the first half.

Mr Lee Iacocca, chairman, said the company was reaping the benefits of the money it spent when it was financially strapped. "Everything has come together for Chrysler in the first half of 1984," he added.

Chrysler's buoyant financial performance in the quarter was underpinned partly by the strength of the U.S. market, where it has now pushed its market share up to 10.9 per cent from 10.5 per cent a year ago. Total sales in the period, including both cars and trucks, jumped by 25 per cent from 349,900 units to 438,000, and in Canada rose from 53,800 to 67,700.

Sales might have been better except for production constraints. Mr Iacocca said yesterday that the group, which was severely trimmed during its financial crisis four years ago, is now working at full capacity.

To provide more capacity, Chrysler is planning to bring on stream its Sterling Heights plant, acquired from Volkswagen, and yesterday announced a $250m investment in St Louis to expand the output of its recently launched T-Model combination car and van. That will push capacity from 266,000 units a year to 400,000.

A second favourable factor is the *huge tax carry-forwards Chrysler* still has available from the losses generated during the crisis years. Although the company was unable to give details yesterday, it paid virtually no tax in the second quarter, as in the first, and still has approximately $900m of carry-forwards waiting to be used.

Yesterday's figures show that the group has become strongly cash-generative, as it increased its cash and marketable securities from $1.26bn at the end of the first quarter to $2.03bn. But Mr Iacocca warned that it will need all its financial strength to fund its five-year investment programme of $9.5bn up to 1989.

Pöhl calls for end to securities tax on foreigners

By Jonathan Carr in Frankfurt

THE West German Bundesbank, the central bank, has stepped up its pressure on the Government to abolish the tax that foreigners face when they invest in German fixed-interest securities.

Herr Karl Otto Pöhl, the Bundesbank president, said he felt removal of the withholding tax would help to encourage capital inflows to Germany, and thus strengthen the D-Mark. The tax is withheld from interest payable on bonds of German borrowers. DM bonds issued on behalf of foreign borrowers are exempt.

In a television interview, Herr Pöhl emphasised that Bonn should act, in view of the recent U.S. decision to remove its "withholding tax" on investment by foreigners.

The Bundesbank feels that the U.S. action, coupled with the continuing high level of U.S. interest rates, is liable to attract still more funds into dollar investments and away from the D-Mark. Abolition of the coupon tax, it believes, might act as a partial counterweight.

An argument between Bonn and the independent Bundesbank about the tax has long been going on behind the scenes, but Herr Pöhl's television comments bring it into the open.

The central bankers argue that the tax is an anachronism, since it was conceived in 1964 at a time of fixed exchange rates to help stem an inflationary flood of foreign money into the D-Mark.

The Bundesbank now faces almost the opposite problem – how to attract funds and keep the German currency fairly strong, although dollar interest rates are some 6 per cent higher than D-Mark rates.

Bonn recognises the difficulty, but so far has not felt that removing the coupon tax would make a lot of difference. Moreover, such a move would mean that about DM 100m ($34.9m) of revenue might be lost annually.

There is widespread speculation about why Herr Pöhl has chosen this moment to make his public appeal to the Government, after keeping the dispute almost hidden for so long.

It is felt that part of the answer may lie in the latest balance-of-payments figures. Although those show a net import of DM 3.3bn in long-term capital in the first five months, a much better result than in the same period of 1983, there were clear signs of a change of trend in April and May.

Dock strike 'could bring chaos to UK'

BY OUR LONDON STAFF

TALKS described as "responsible but low key" continued late last night between the two sides in Britain's national dock strike. Meanwhile warnings increased from all sides of the dangers of a prolonged dispute.

Mr Nicholas Ridley, the Transport Secretary, said the strike "may lead to chaos." Industry warned of shortages, export delays and lay-offs. The Transport and General Workers' Union (TGWU) – which called the 11-day-old strike – threatened to involve its lorry driver members if troops were brought into the docks.

Mr Jack Ashwell, the union's road haulage secretary, said members would refuse to handle goods moved by troops. Some drivers would go on strike immediately.

Britain's National Union of Seamen and its French and Belgian counterparts have said they will not touch cargoes handled by troops. The TGWU has also warned that oil refinery workers and oil tanker drivers might be called on to take industrial action.

The Conservative government has said that it might declare a state of emergency, but it is not believed to have considered the use of troops in the docks.

Calais and Cherbourg in France were again blockaded yesterday by lorry drivers angered by the dockers' ban on freight movements. French drivers threatened to spread the blockades to all French Channel ports.

Shops in Calais, normally packed with day trippers from Britain, were almost deserted yesterday. A few marooned lorry drivers were in the bars, but many have abandoned their vehicles and returned home.

At Dover, Britain's busiest holiday port, pressure was building up among dockers last night for a return to normal working. The harbour is not part of the national registered docks scheme, which is at the centre of the dispute. The TGWU is demanding that there should be no further breaches of the scheme – it was British Steel's use of non-registered dockers at a registered port which triggered the strike.

Lorry drivers stranded at continental ports claimed that dockers at Dover had indicated that they would lift their ban on freight traffic regardless of the outcome of the talks between the TGWU and the national port employers, which are taking place at the London headquarters of the Government's conciliation service Acas.

The four-day-old dockers' ban on freight passing through Dover was lifted late last night according to Dover harbour officials. Freight traffic was being loaded on to ferries at Calais and Ostend.

The Dover Harbour board said last night it knew of no agreement to allow any freight traffic to cross the Channel. Holidaymakers with cars have been delayed by the strike but not stopped.

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons yesterday that it was "ironic" that the lorry drivers hit by the strike belonged to the same union as that which caused the strike.

The dispute – which has brought freight traffic to a standstill at all of Britain's major ports – is having an increasing effect on industry, but foods wholesalers have said that there is no imminent threat of shortages.

British farmers have up to 200,000 tons of cereals awaiting shipment for export and stocks of beef and lamb have filled cold stores. This could result in a fall in prices for UK consumers.

Shortages of animal feed supplies are causing "very serious concern," according to the UK Agricultural Supply Trade Association. The refusal of dockers to release stocks could lead to "very serious problems within the next few days." Animals might have to be put on "starvation level diets" if the strike continue longer than this month.

P & O Ferries received dispensation from striking dockers to send emergency supplies of vegetables and animal feed by ferry from Aberdeen to the Shetland islands off Scotland. The company also planned to ship medical supplies from Southampton to the African state of Mauritania.

BL's Leyland Trucks subsidiary should have shipped £8m-worth of Scammel heavy trucks to the Middle East this month. Only £2m worth was exported before the dock strike took effect.

Exports of Leyland trucks worth between £1m and £2m from the Bathgate plant in Scotland have also been delayed.

Perkins diesel engines worth £10m for export, mainly to France, West Germany and Spain, have been stranded at company depots and docks at Harwich, Lowestoft and Dover.

Anger in Ostend, Page 7

CONTENTS

Creusot-Loire's chairman and board resign

BY OUR PARIS STAFF

THE CHAIRMAN of Creusot-Loire, M Didier Pineau-Valenciennne, who has been engaged in a fierce battle with M Laurent Fabius, the new French Primbe Minister, stepped down yesterday and agreed to the appointment of a temporary administrator to take charge of the large French private heavy-engineering group.

The resignation of M Pineau-Valencienne and the board of Creusot-Loire appears to have been precipitated by the appointment of M Laurent Fabius as Prime Minister.

For the past months, M Fabius, as Industry Minister, had unsuccessfully tried to negotiate a salvage deal with M Pineau-Valencienne to avoid Creusot-Loire going into official receivership.

The relationship between the two men and between the Socialist government and the private Empain-Schneider group, which owns Creusot-Loire, had deteriorated to an unusual degree.

The Creusot-Loire board said *in a statement yesterday* that it had decided to resign and ask the Paris commercial tribunal to appoint a temporary administrator to run the company.

The resignation of M. Pineau-Valencienne is now likely to help Mme Edith Cresson, the new French industry and Trade Minister, in her task to resolve the Creusot-Loire crisis, which threatens up to 30,000 jobs and could have dire *repercussions for French industry.*

The resignation of M Pineau-Valencienne is expected to remove a major obstacle in the way of the French Government's rescue plans for the heavy engineering group.

These plans had been opposed by M Pineau-Valencienne who wanted to negotiate a solution based on a debt rescheduling and fresh capital injection scheme with the Government and the banks.

Paul Betts looks at the events surrounding, and the reasons for, a divorce within the Left

Why French Communists have refused to join a new Government

M CHARLES FITERMAN, the former French Transport Minister and the man expected to take over the French Communist party leadership from M Georges Marchais next year, stood unshaven in the austere concrete entrance hall of the Communist party's bunker-like headquarters in Paris to tell a flock of journalists his party was leaving the Government.

It was half past eight yesterday morning and M Fiterman had been up all night for hectic negotiations between M Laurent Fabius, the new Socialist Prime Minister, and his party's central committee *to decide whether* the Communists would remain in the new Government.

M Georges Marchais, the secretary general of the party, had rushed back from his holidays in Romania. With M Fiterman and M André Lajoinie, the president of the Communist Party's parliamentary group, he first met M Fabius on Wednesday evening.

After reporting back to the central committee which drafted what the Communists like to call "a grave and solemn letter" demanding changes in economic policy, the trio went back to M Fabius at around 4.00 am.

A few hours later, exhausted but in some respects apparently relieved, M Fiterman broke the news.

So ended a three-year association in Government between Socialists and Communists. Relations between the two parties had deteriorated sharply during the past 12 months over the Government's economic and industrial policies.

But the Communists hesitated about quitting, despite a particularly tough steel restructuring plan, lay-offs in the mature industrial sectors, declines in workers' purchasing power and growing unemployment.

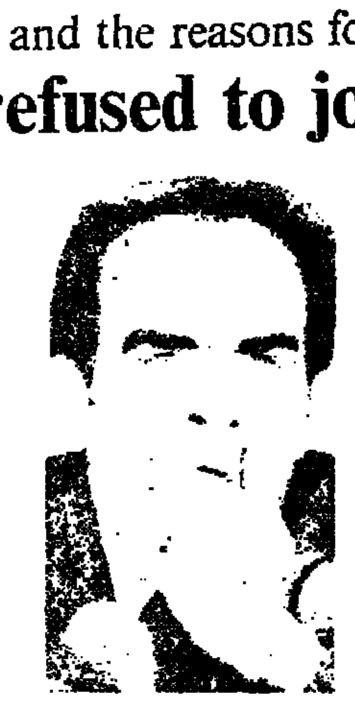
Even after their disastrous performance in the European elections last June, when they polled 11 per cent or no more than the extreme right National Front, they were still hesitating.

In the end, it took barely 24 hours for the Communists to make up their minds. President Francois Mitterrand, in appointing M Fabius and confirming his economic policies of "rigour," had pushed them to the limit.

M Fiterman, one of the four Communist Ministers in the last Government, acknowledged that the central committee had debated at length the question *of staying in. For many party* members, the risks of leaving the Government are high in that it could now seriously isolate politically the Communists.

For the majority, however, continued participation in the Government was the equivalent of political suicide at a moment when many believe that the *party is undergoing an historic* decline.

M Charles Fiterman



M Georges Marchais

M Pierre Juquin, the party spokesman and member of the political bureau, reading a lengthy statement yesterday morning in the window-less basement of the party headquarters in Place du Colonel Fabien, said the present Socialist policies could only lead to the defeat of the Left in the 1986 parliamentary elections.

He denied that the reason for the Communist withdrawal involved the number of Ministries M Fabius had offered the party. The Communists would again have had four portfolios.

The Communist leaders remained cautious about how the divorce would affect the broader union of the Left in France. M Juquin tried to stress, not altogether convincingly, that the party would continue to support government measures it deemed "just and right."

"We are still there to fight the Right and to erect a barrage to prevent the Right returning to power," he said. M Fiterman evaded a question on whether the split meant that the Communist CGT union would now *toughen its position.*

After the long night that finally ended the first Communist participation in a French Government since 1947—when, incidentally, they left after a major strike at Renault car plants and in opposition to the Government's incomes policy—the party is now expected to try to recover some political momentum in the same way as President Mitterrand is attempting to do.

The next crucial "rendez-vous" for the Communists is the party congress next February. With M Fiterman now out of the Government, the party is expected to prepare the succession to M Marchais, whose leadership appears to have increasingly become a political liability.

The Communists were on the whole competent and effective ministers. M Fiterman at the Transport Ministry was acknowledged to be a good negotiator and to master his dossiers.

Even M Jack Ralite, who had aroused considerable opposition when he first came to the Health Ministry, is regarded as having subsequently done a good job as Employment Minister.

One big unknown is the extent to which the Communists have succeeded in infiltrating key parts of the French administration and bureaucracy during their three years in office.

As M Fiterman left to go and have a shave, a party member volunteered his own simple explanation for the split between the Communists and Socialists, "Chacun doit proteger son bifteck." Loosely, "Everyone must look after his own onions."

Return of 2 from hard-line Left

BY PAUL BETTS

THE RETURN of M Jean-Pierre Chevenement and M Pierre Joxe, two enfants terribles and hard-liners in the Socialist party, is undoubtedly the most surprising aspect of the new French government formed yesterday by M Laurent Fabius.

Both M Chevenement and for a brief period M Joxe have held the industry portfolio since the Left came to power three years ago. Of the two, however, the appointment of M Chevenement is perhaps the more interesting.

M Chevenement, the good-looking 45-year-old leader of *the Ceres left-wing faction of* the Socialist party, was the Industry Minister dropped by President Francois Mitterrand in favour of M Laurent Fabius last year.

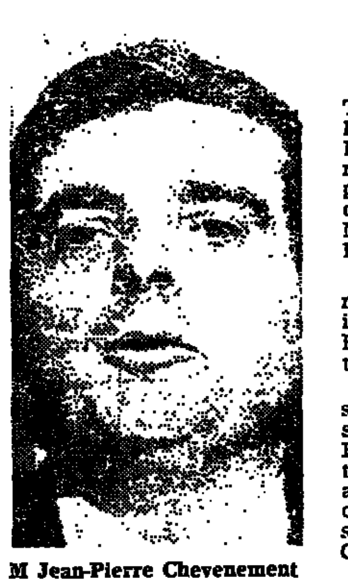
M Chevenement, the new Education Minister, had become synonymous with an interventionist industrial policy which had led to a revolt among the heads of the country's nationalised industry.

When his successor, M Fabius, immediately adopted a more pragmatic approach, most French political observers believed M Chevenement had been isolated from the political mainstream by President Mitterrand.

But by giving him the education job, M Fabius may have also given his rival a poisoned chalice. After all, it was the private school Bill of the former education minister, M Alain Savary, that set the fuse to the process that has now led to the new government.

The return of M Pierre Joxe as Minister of Interior marks the arrival of another strong personality of the Left. M Joxe, who is 50 and the son of a former Minister of Gen de Gaulle, has long been regarded *as a devout Mitterrand follower.* But he is equally known for his authoritarian temperament.

Like M Chevenement and M Fabius, for that matter, M Joxe is a graduate of the Ecole *Nationale d'Administration, the* elitist stable that grooms the hierarchy of the French administration.



M Jean-Pierre Chevenement

Technology portfolio for space chief

By Our Paris Staff

THE ENTHUSIASM of M *Laurent Fabius,* the French Prime Minister, for high technology and the French space programme was reflected yesterday by the appointment of M Hubert Curien as Minister of Research and Technology.

M Curien, head of the French national space research centre, is one of the architects of the French space programme and the Ariane rocket.

Before heading the French space research centre and presiding over the board of the European Space Agency until the end of last month, he was also for several years managing director of the French national scientific research institue, CNRS.

Even close collaborators of M Curien, 59, were surprised by the appointment of this technocrat who has never expressed *any marked political leanings.*

Man with a priority to cut budget deficit

BY DAVID HOUSEGO

M PIERRE BEREGOVOY, the new Finance Minister, believes that he will bring a more rigorous hand to controlling budget expenditure than did his predecessor, M Jacque Delors. It is an outsize claim.

But M Beregovoy likes to say that while M Delors preached rigour as Minister of Finance, he practised it as Minister of Social Security.

He ended his previous job of Minister of Social Security by achieving an unprecedented FFr 13bn (£1.2bn) surplus in the Social Security accounts.

M Beregovoy was in a very relaxed mood yesterday before leaving for the Cabinet meeting, at which he presented the 1985 budget.

A worker's son of a Ukrainian family, a largely self-taught man, M Beregovoy is not cut in *the image of traditional French* finance ministers.

Already knowing that he would get the job at the weekend, he devoted that time to reviewing the overshooting that has already begun to emerge in this year's Budget deficit.

His first priority is to try to bring down the deficits from a current level of over 3.3 per cent of GNP to the 3 per cent ceiling set by President Mitterrand.

He argues that if the overshooting continues this year, his problems in containing expenditure next year will be that much worse.

M Beregovoy describes himself as a man horrified by deficits.

He points proudly to his record in the Social Security Ministry of cutting the increase in hospital spending from the 6-7 per cent rate at constant prices which he found on taking office, to 1 per cent at the moment.

He has told President Mitterrand in the past that it was better to make the consumer pay than the taxpayer.

Though M Beregovoy was one of those Ministers who believed that there was some advantage in pulling out of the EMS in 1983 and who has not doctrinaire commitment to it still, he nonetheless firmly believes now that France must remain within the system.

He was often accused of crossing swords with M Delors as somebody who himself believed that more priority should be given to economic growth.

But he insists that growth must be subordinated to getting inflation down and limiting deficits both in the budget and in the public sector.

He considers that any devaluation of the franc now—in spite of the difference in French and West German inflation rates—would be psychologically and politically unacceptable.

M Beregovoy is very much part of M Mitterrand's inner circle of advisers. With his bushy eyebrows and irrepressible smile, he was a familiar face at the Elysée from the moment the Left took power in 1981.

He was the President's first Secretary-General—the crucial post which oversees all that passes in front of the head of state.

At 58, he has already had a long career in the Socialist Party.

M Pierre Beregovoy

Metal strike hits W. German vehicle output

BY JOHN DAVIES IN FRANKFURT

MOTOR VEHICLE production in West Germany is lagging 13.2 per cent behind last year because of the recent seven-week strike by metalworkers over shorter working hours.

Just over 1.9m vehicles rolled off the assembly lines in the first half of this year, compared with 2.19m in the first half last year. Car production was down 13.1 per cent at 1.78m, while commercial vehicle output was 14.2 per cent lower at 122,900.

The metalworkers' strike, which began in mid-May, mostly at vehicle component makers, brought almost all vehicle assembly to a standstill until the compromise agreement on an average working week of 38.5 hours led to a return to work earlier this month. The industry lost production of an estimated 400,000 vehicles.

The Automobile Industry Association (VDA) said yesterday that only 43,300 vehicles were produced last month—40,000 cars and 3,300 commercial vehicles—compared with a total of 388,133 in June last year.

Until the strike, motor vehicle output was running ahead of last year, boosted partly by an increase in export sales, notably in the U.S.

West Germany boosted its vehicle output last year for the third year in succession, although the total of 4.17m was still below the 1979 peak of 4.25m and the 1978 output of 4.19m.

Some vehicle plants will be operating one working shift during the normal summer holiday shutdown this year, to help make up some of the production lost during the recent strike.

At Volkswagen, for instance, about 18,500 of the 112,000 employees will carry on working during the three-week works holiday starting next Monday.

About 9,100 had already agreed to work on maintenance, repair and other organisational jobs, but a further 9,400 have volunteered to carry out production work.

As a result, VW will produce about 12,000 cars at Wolfsburg and more than 1,500 trucks at Hanover during the holidays.

VW has decided to take on more employees and some other car manufacturers are also considering hiring more workers as part of a drive to step up production.

The car companies are particularly concerned to build up output as quickly as possible for export markets, including the U.S.

Because of the strike, car exports dried up last month to 44,700, compared with more than 200,000 in June last year. Only 4,100 commercial vehicles were exported, compared with 13,860 a year earlier.

In the first half-year, West Germany exported just short of 1.1m vehicles of all types—10 per cent fewer than in the first six months of last year.

The West German companies have been benefiting from the sharp recovery in the U.S. market, as well as from the strong dollar.

VW's Audi subsidiary, for instance, boosted deliveries to customers in the U.S. in the first half of this year to 39,300—77 per cent more *than a year ago.*

West's bank loan pledges to Comecon up by $1.8bn

By Peter Montagnon, Euromarkets Correspondent

WESTERN bank loan commitments to Comecon countries rose by $1.8bn (£1.3bn) in the second half of last year, confirming the gradual recovery in the region's credit rating, according to figures compiled by the Bank for International Settlements.

Though nearly all the increase in commitments — loans which have been promised but not yet disbursed — was accounted for by the Soviet Union, the BIS says there was a general recovery in bank lending to Eastern Europe.

Lending had fallen during 1982 and early 1983 in the aftermath of the Polish debt crisis.

Outstanding loans were up by $800m in the second half of last year after the effect of exchange rate changes had been netted out, it says.

Hungary received sizeable new *credits as well as the* Soviet Union and with East Germany it was able to add to its deposits with Western banks.

The figures are contained in the latest BIS report on the maturity distribution of international bank lending.

The report is more complete than its quarterly report on international banking flows because it includes loan commitments and a breakdown of the maturity of new lending as well as data on some individual countries not covered in the quarterly reports.

Among these is Iraq which *stepped up its bank borrowing* sharply in the second half as total loans more than doubled to $1.6bn from $700m.

Separately, Iraq managed to win new loan commitments of $800m, adding to the $400m already available at the start of the period.

Iran, by contrast, repaid nearly $300m in bank borrowings during the period and satisfied its foreign exchange needs by drawing down its deposits with the banks by some $1.1bn.

At the end of the year, Iran had $8.6bn in identified *deposits with Western banks.*

Overall, the figures show a noticeable pick-up in bank lending to developing countries during the second half of last year with new loans rising to $19.4bn *from* $8bn in the first half.

Most of the new money went, however, to developing nations

Stalemate on EEC cash crisis

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN budget Ministers faced deadlock last night on how to meet the cash crisis of the EEC, with the British Government insisting that no extra finance can be approved to meet excess farm spending.

Britain has proposed a string of spending cuts and delays which could match most of the expected Ecus 2bn (£1.2bn), but faced the *opposition of* all the other nine member-states, and the officials of the European Commission, in its adamant refusal to consider any ways of supplementary finance.

Ministers meeting at the Budget Council in Brussels were forced to abandon talks on the 1984 overspending after discussions lasting all day. In a bid to make progress on another front, they switched to consideration of the 1985 budget, which is also likely to be heavily overspent.

The British list of proposed savings goes way beyond the limits which other EEC members are prepared to consider, and falls too heavily on agriculture, according to other member-states.

The proposed savings would include a halt to de-stocking agricultural surpluses, such as milk, butter, beef and sugar—although EEC officials point out that storing the 1m-tonne butter mountain alone costs some £1m a day.

Temporary suspension of advances to agricultural exporters is another suggestion. This was already used to postpone spending from 1983 to 1984—one cause of the renewed overspending this year.

Mr Ian Stewart, Economic Secretary to the Treasury, who is Britain's Minister on the Council, said yesterday that Britain's proposals to stay within the absolute ceiling of the EEC's present resources were the only ones in accordance with the Treaty of Rome.

No supplementary financing can be approved without British support, because it requires unanimous approval for a special order to be made.

The only other alternative would be for inter-government agreement to finance EEC bills from their national budgets, also requiring British support.

Genscher starts delicate trip to Iran today

BY RUPERT CORNWELL IN BONN

HERR Hans-Dietrich Genscher, the West German Foreign Minister begins today a tricky three-day official visit to Iran.

He has the awkward task of shoring up Bonn's huge trade interests there, without appearing to lend approval to a regime bitterly criticised in West Germany for its poor human rights record.

The delicacy of th trip can be gauged from the fact that it is the first to Iran by any EEC Foreign Minister since the Khomeini revolution of early 1979.

It also coincides with new efforts to find a compromise to end the four-year war between Iran and Iraq, although the Foreign Ministry emphasised yesterday it has no intention of taking part in any mediation.

The prime motivation of the journey, as underlined by the delegation of top businessmen accompanying Herr Genscher, is clearly economic.

Despite the war's pressure on Iranian resources, West Germany is now exporting as much as it did in the heyday of the Shah.

But the imbalance in Bonn's favour—DM 6.1bn (£1.5bn) in 1983—is now such that Iran is threatening seveer curbs unless West Germany steps up its purchases dramatically, especially of oil.

Iranian exile groups—and some German politicians—are vicoferously opposing the visit,

They have urged that at the least, Herr Genscher publicly raises the human rights issue during his stay. This, however, would presumably make it harder still to find an accommodation on economic problems.

East-West arms talks end in deadlock

By Patrick Blum in Vienna

EAST-WEST negotiations on reducing conventional forces in *Europe ended yesterday in* Vienna without any sign of progress and with both sides accusing one another of lacking the political will to compromise.

Both expressed the hope that the two-month recess until the next round of talks begin on September 27 will provide an opportunity for reflection

Speaking for the Western participants, Mr Jan Hein van de Mortel said he was disappointed by the Warsaw Pact's response to the West's proposal of April 19, which aims at breaking the deadlock in the 11-year negotiations.

Mr Krzysztof Stronczynski for *the Warsaw Pact, said:* "There's sense in keeping this forum open.

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Nordic growth 'to peak soon'

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE NORDIC economies are achieving substantial growth this year and expect expansion of Gross Domestic Product of close to 3 per cent, according to a report from the region's federations of industry.

Growth is likely to peak this year at 2.9 per cent, however, with GDP forecast to expand by only 2.1 per cent in 1985.

The report, Nordic Economic Outlook, shows that growth in the region is still being led by Finland, which is expected to achieve an expansion of GDP of 4 per cent in both 1984 and 1985.

The report is noticeably more pessimistic about the prospects for the Swedish economy, however, which is forecast to show only a 1 per cent growth in GDP in 1985 compared with 2.6 per cent in 1984 and 2.3 per cent last year.

The two devaluations in 1981 and 1982 of more than 25 per cent gave a big boost to Swedish foreign trade. But the export boom is expected to tail off next year with a growth of only 3-3.5 per cent compared with a jump of 11.5 per cent in 1983 and 6.8 per cent this year.

With imports rising faster than exports next year, investment slowing and consumption rising only marginally, the Swedish economy would grow overall by only 1 per cent, which is "too small a base for reducing unemployment," the report warns.

Solid progress should still be made, however, on the current account of the Swedish balance of payments which should be in balance this year and how a surplus of SKr 5.2bn (£472m) in 1985 compared with the huge deficit of SKr 22.5bn in 1982.

Overall, the current account of the Nordic economies should show a small surplus of $700m (£538m) this year compared with deficits of $6.3bn in 1982, and $1bn in 1983.

All five Nordic countries have substantially reduced their inflation rates over the past year and the industry federations expect price increases to moderate further in 1985.

The biggest fall has occurred in Iceland where the inflation rate is expected to slow to 29 per cent this year from 84 per cent in 1983.

The rate of inflation in Norway, Sweden and Finland is expected to average 7-7.5 per cent this year and 6-6.5 per cent in 1985, while Denmark could cut its rate of inflation to only 3.5 per cent in 1985 from 5.5 per cent this year.

The federations warn that despite improvements, serious imbalances remain in the Danish economy with a balance of payments deficit of 2 per cent of GDP, a public sector deficit *corresponding to around* 8 per cent of GDP, and unemployment still above 10 per cent.

Substantial reductions in these imbalances could only be achieved with stronger economic *policies to reduce costs in order* to boost the competitiveness of the Danish business sector.

Elimination of the deficits by 1990—the official aim of the Government—would only be possible *if the competitiveness* of Danish manufacturing industry was improved by at least 25 per cent during the next five years.

Bank of Spain Governor named

BY DAVID WHITE IN MADRID

THE LAST remaining doubt over the succession to the governorship of the Bank of Spain has been lifted with the nomination of Sr Mariano Rubio, the present Deputy Governor, a close ally of Sr *Miguel Boyer,* the Finance Minster, and a staunch defender of monetarist and free market policies.

His name has been put forward by Sr Felipe Gonzalez, the *Prime Minister, for appointment* next week by King Juan Carlos.

Sr Rubio, long regarded as the most powerful figure in the Spanish central bank, takes over from Sr Jose Ramon Alvarez Rendueles, who is not eligible for a further term, and is returning to a university post.

The choice of Sr Rubio, 53, has appeared increasingly likely following comments by Sr Gonzales backing continuity at the Bank of Spain.

However, the appointment of Sr Rubio, who has Social Democratic leanings, is contested by many Socialists who would have preferred a party member and less overt monetarist in the post.

The nomination both confirms Sr Boyer's strong position in the cabinet and scotches rumours that Sr Carlos Solchaga might be moved to the *Bank* from the Industry Ministry, where he has come under attack from trade unions.

Instrumental in dealing with the series of bank crises which hit Spain when *high* economic growth gave way to stagnation and in returning state assisted banks to the private sector, Sr Rubio is described by one commentator as having "more enemies than any deputy governor or governor before him."

Sr Rubio has played a major role in tightening supervision of the bank system and cracking down on lax accounting practices. At the same time he has been active in moving Spain away from what he calls the "obsessive *interventionism*" of the Franco years.

Deputy Governor since 1977, almost a year before Sr Alverez Rendueles's first appointment as Governor, he has seen the banking system through a process of liberalisation with the freeing of most interest rates and dividends, the entry of foreign banks and the development of new monetary markets.

Sr Rubio has been at the Bank of Spain since 1965, apart from spells at the Government's financial policy department and at the state-owned Enagas concern.

● The Spanish Government has created a stir in Navy ranks *by sacking the conservative* head of the naval war school, Vice-Admiral Salvado Moreno de Alboran.

The move by Sr Narcis Serra, the Defence Minister, came after Vice-Admiral Moreno had written to naval attachés at several embassies in Madrid—including the British—announcing his forthcoming departure and complaining that the Socialist Cabinet had blocked his *promotion to Admiral.*

A former Spanish naval attaché in London, he was recently passed over in the appointment of a new commander for the Strait of Gibraltar region.

Polish dissident planned defiance

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S foremost dissident, Mr Jacek Kuron, at present still formally on trial, planned to declare in court that the *country's Communist system* must be overthrown if the nation is to survive "biologically," his son, Maciej, said yesterday.

The speech may never be delivered, as the court adjourned on Wednesday, and Mr Kuron and three other leaders of the KOR dissident group are expected to be included in an amnesty for political prisoners to be declared tomorrow.

As Mr Maciej Kuron was delivering his father's defiant message designed to underline that Mr Kuron had made no compromises during his two-and-a-half years' imprisonment since the imposition of martial law, the government media launched *a series of press* attacks against the KOR group.

● A preliminary economic target for next year, presented yesterday, foresees a 4 per cent growth in industrial output compared to a 4.5 per cent target for this year.

The plans, which will finally be approved in the autumn, include a 6 per cent growth in hard currency exports and a 9-10 per cent growth in imports which would give Poland a $1.6bn (£1.2bn) hard currency trade surplus.

This year *Poland* is aiming for a $1.8bn hard currency surplus of which $760m has been achieved after the first six months.

OVERSEAS NEWS

Japanese finalise plans for N-fuel processing plant

BY ROBERT COTTRELL IN TOKYO

JAPAN'S FEDERATION of Electric Power Companies has finalised plans for the construction of a Y960bn (£2.3bn) complex of nuclear fuel processing facilities.

The development will comprise a uranium enrichment plant; a spent fuel reprocessing plant; and a low-level waste storage facility. It will be located at Rokkashomura village on the northern tip of Honshu, Japan's main island, projected costs are Y700bn for the recycling plant; Y160bn for the enrichment plant; and Y100bn for the waste facility.

Construction is due to start in 1986, with the spent fuel reprocessing plant expected to start-up in 1995 at an operating rate of 800 tons per year.

Japan's Ministry of International Trade and Industry (Miti), which oversees the country's nuclear industry, said it supports the Federation of Electric Power Companies' decision to build the three plants on a common site.

Japan has so far relied mainly on France and the U.S. for its uranium enrichment and spent fuel reprocessing services. The need for domestic facilities was emphasised earlier this month by the Atomic Power Committee of the General Energy Research Board, an advisory body to Miti, which said domestic facilities were "indispensable."

While the establishment of such facilities has long been planned the federation's choice of a suitable site remained the outstanding problem.

Japan is the world's fourth-largest generator of nuclear energy, after the U.S., France, and the Soviet Union. It has 26 nuclear plants in operation, and a further 12 on order. Nuclear power provides one-fifth of total electric power generated, the country's largest non-oil energy source.

Japanese nuclear power remains relatively cheap, according to a recent government study, which reported that power from newly-commissioned nuclear generating capacity in Japan cost Y12.5 per kw in 1982, compared with Y14 from coal-fired thermal plant, and Y17 from oil-fired and LNG-fired plant.

China has 'no obligations' over Hong Kong elections

PEKING — China said yesterday it has "no obligation" to honour a proposed government reorganisation in Hong Kong that would give residents of the British colony more democratic rights before the Chinese takeover in 1997.

The statement by the Foreign Ministry was a reaction to a plan unveiled Wednesday in Hong Kong by Governor Sir Edward Youde to create elected positions on the colony's law- and policy-making bodies. All members are now appointed.

That plan is the result of growing demands for democracy by the territory's 5.5m residents, worried that they will have no political rights when China recovers sovereignty over Hong Kong in 1997, the date Britain's lease expires.

"It (the plan) was drafted by the British side," a Foreign Ministry statement said. "The Chinese side undertakes no obligation to it."

There was no elaboration.

The Chinese Communists have said they will grant Hong Kong people a large measure of self-rule and guarantee that the territory's capitalist economy and social system will remain intact for 50 years after 1997.

Britain and China are negotiating an agreement on the orderly transfer of power. China says it wants the pact completed by September.

The British proposal foresees 12 elected seats on Hong Kong's 47-member Legislative Council in 1985 and 24 in 1988. It also projects eight elected seats on the 16-member Executive Council by 1991.

AP

Iraq claims ship hit off Iranian oil terminal

By Roger Matthews, Middle East Editor

IRAQ CLAIMED yesterday to be continuing its attacks on shipping in the Gulf and said that a "very large naval vessel" had been hit south-east of Kharg Island, Iran's main oil export terminal.

However, there was no independent verification of an attack and shipping sources said tankers were loading normally at Kharg.

Iranian oil exports are understood to have surged in the past week and are now running at 1.6m/1.7m barrels a day, having fallen back sharply at the end of last month after a successful Iraqi attack on a tanker berthed at the Kharg Sea Island terminal.

Iran is also completing construction of two 500,000 barrel tanks at Lavan Island, south of Kharg and may already be using smaller tankers to ferry supplies from its main terminal.

Meanwhile, the news agency of the Organisation of Petroleum Exporting Countries reported yesterday that Iraq and Jordan have completed arrangements with international credit agencies for financing a new oil export pipeline. The $1bn pipeline would run from Iraq to Aqaba in Jordan and has received enthusiastic support from King Hussein and the U.S. Government.

However, Iraq is said to be demanding "practical guarantees" for the security of the pipeline which will terminate very close to Israel. The Iraqi Government is believed still to prefer the scheme for a pipeline through Saudi Arabia with an initial capacity of 500,000 b/d for which bids are due next month.

Islamic countries, meeting yesterday in Saudi Arabia, called for a fresh initiative to end the Gulf war and said that Sir Dawda Jawara, the President of Gambia, would seek to hold conciliation talks with Iraq and Iran. Sir Dawda said that his first step would be to explore possible grounds for a cessation of the fighting.

The Iranian Foreign Ministry repeated yesterday that an essential precondition for ending the fighting was the removal of Iraq's President Saddam Hussein.

Will disgruntled Likud voters, asks **David Lennon**, give the government one more chance?

Parties throw clowns into the battle

WITH ONLY three days to go, the Israeli election campaign has still yet to fire the voters' imagination; though there is plenty for the Israelis to get excited about, such as the controversial war in Lebanon, or the economic mess which has produced 400 per cent inflation.

No single issue has stirred the electorate and no leader has aroused the people's passions in the way that Mr Menahem Begin did during the elections in 1981.

Neither Mr Yitzhak Shamir, the Prime Minister, of the Likud bloc, nor Mr Shimon Peres, chairman of the opposition Labour Party, have the charisma or the oratory to inspire the voters.

There has been no shortage of electioneering during the past month. The parties' messages have been pumped out in public squares, in private homes, on billboards and in the media. Israel television has been carrying 30-40 minutes of party political broadcasts each evening.

The slick, Madison Avenue style television slots are costing millions. But despite the money and the decision by the two big parties to use popular comedians to push home their messages, there is no clear indication that either the expense or the clowns have swayed many voters. Perhaps the only parties which really benefited from their television exposure are the small parties which would otherwise have had difficulty getting their message across to the nation.

There are 26 parties seeking election to the 120-seat Knesset (parliament). The latest opinion polls forecast that Labour and Likud, the two big parties, should share 85 to 95 seats between them. As many as ten other parties could share the remainder of the seats.

Israel's proportional representation system has meant that no party has ever won an overall majority in an election. This has left the balance of power with the smaller parties, and it is among them that the colour missing from the campaigns of the big parties is to be found.

The Kach (Thus) Party of Rabbi Meir Kahane is drawing an audience and creating much revulsion, with its blatant calls to drive the Arabs out of Israel. The former chief of staff, General Rafael Eitan is also winning hearts with his blunt nationalist speeches for the right wing Tehiya (Renewal) Party.

Mr Ezer Weizman, who resigned the defence portfolio in Mr Begin's first cabinet in disgust over the way it was handling relations with Egypt, has been pouring apparently limitless funds into the drive to win seats for his newly created centrist Party Yahad (Together).

One figure who failed to generate the excitement expected

is the Likud's General Ariel Sharon. Small groups of supporters have enlivened the rallies of the burly, bulldozing former defence minister with chants of Arik, Arik King of Israel. But the controversy over his role in the Lebanon war seems to have weakened his power to attract vast crowds.

The Likud, which headed a right-wing nationalist-religious coalition for the past seven years, started the campaign trailing badly in the oponion polls behind Labour, which ruled for 29 years before the Likud's upset win in 1977.

A month ago, the polls showed Likud's representation in the Knesset as likely to drop from the 48 seats it won in the last elections to 40, or less, this time. Labour was forecast as winning as many as 54 seats, compared to the 47 it won in 1981.

But the latest polls show the Likud closing the gap as the percentage of undecided voters drops, apparently a result of disgruntled Likud voters deciding to give it one more chance. They show Labour winning 50 seats and Likud 41, but with over 20 per cent still undecided, there is plenty of room for Likud to draw closer yet.

The key to which party will lead the next government lies with the smaller groups. The polls at the moment show that the small Right-wing and ultra-orthodox religious parties may get 12 seats, the Centrist parties 10 seats and the Left eight.

The Likud can be fairly certain that the Right, Centrist and religious parties will join it in a coalition. This means that if his party polls 40 seats or more, Mr Shamir would be capable of putting together a Government. For Labour the problem is more complicated. At least four of the Left-wing seats will go to the Communist Party, which Labour would not want in Government. This means that Labour must win at least 50 seats, and preferably 52, if Mr Peres is to have a chance to create a coalition with the small Left and Centre parties.

If Labour does win the largest number of seats in the election, Mr Peres will have the advantage of being asked first by the President to try to form a Government. The irony is that if it wins less than 50 seats, he may find this impossible to achieve.

Another alternative is for the two big parties to join together in a grand coalition. Mr Shamir has already suggested that a national unity government be set up after the elections. Mr Peres has dismissed this as electioneering, saying that such a union would produce a national paralysis government.

His argument is that the policies and ideologies of the parties are incompatible on many key issues. That is certainly true with regard to the future of the occupied West Bank and Gaza Strip. Labour wants to trade some of this territory for a peace agreement with Jordan. Likud will never give up any of this land which it regards as part of the biblical land of Israel.

There are also differences over Lebanon. Labour believes that a withdrawal of Israeli troops could be carried out fairly quickly, within about six months. Likud, which has more prestige riding on this issue, believes that it will take much longer to make the necessary security arrangements which would permit a pull back to the border.

But on ways to deal with the troubles of the economy, the policies of the two parties are almost identical. The Israeli voter is fully aware that austerity lies ahead, which ever party heads the next government.

Editorial Comment, Page 12

Muldoon given notice to quit party leadership

BY DAI HAYWARD IN WELLINGTON

SIR ROBERT MULDOON, the outgoing New Zealand Prime Minister and dominating figure in the country's politics for a decade, was yesterday in effect given six-months' notice to quit as leader of his National Party.

Following a meeting of his parliamentary party, which will now form the Opposition to Mr David Lange's Labour Party Government following its victory in last Saturday's general election, Sir Robert said: "The leadership of the National Party will be reviewed at the first caucus meeting of the New Year. It is unlikely that I will be a candidate. End of statement."

During yesterday's meeting, strong criticism of Sir Robert was expressed, but his subsequent statement clearly left himself with an opening to remain party leader in the event he can win back sufficient support before the end of the year. Clearly, there is no immediate successor.

Meanwhile, foreign currency continued to flow back into the country following the new Government's 20 per cent devaluation of the New Zealand dollar after Sir Robert decided to withdraw his policy of non-co-operation with Mr Lange.

The Reserve Bank yesterday made public a memorandum it sent to Sir Robert earlier this week in which it recommended the 20 per cent devaluation. Sir Robert has suggested he did not receive it.

Insurers to pay Indonesia for lost satellite

By Kieran Cooke in Jakarta

INDONESIA SAYS that insurers have finally agreed to pay most of its claim for the Palapa B2 telecommunications satellite, oneof two satellites which went into the wrong orbit after launch during the Challenger space mission.

The Government says that it has now received mor then $65m of its $75m claim from the British Merits Syndicate Group, International Technology Underwriters of the U.S. and the local Asuransi Jasa.

The U.S. Export-Import Bank, the National Space Administration (Nosa) and Palapa's B2's manufacturers, Hughes Aircraft, has been involved in lengthy negotiations about the claim foth the insurers and the Indonesia Government.

Gandhi moves ministers over unrest in Punjab

BY K. K. SHARMA IN NEW DELHI

PRIME MINISTER Indira Gandhi yesterday took away the Ministry of Home Affairs from a close follower, Mr P. C. Sethi, in a move widely interpreted to mean that she wants to show her dissatisfaction with the handling of the Punjab situation.

In a limited Cabinet reshuffle, she gave the home portfolio to the external affairs minister, Mr P. V. Narasimha Rao, and took direct charge of the External Affairs Ministry herself. She will be assisted by Mr S. B. Chavan, who has been made minister without portfolio. Mr Chavan's present charge of planning has been given to Mr Sethi who has thus been retained in the Cabinet.

No policy changes are expected as a result of the Cabinet changes, but there are indications that Mrs Gandhi will continue her "tough" policy in Punjab that began with the army operation against Sikh terrorists last month. The latest phase is the repair work being done by her follower, the controversial Baba Santa Singh of the Sikh Nihang warrior sect, in the damaged Golden Temple in defiance of the Sikh high priests.

Mr Sethi is not generally held to blame for the Punjab crisis since he was never allowed a free hand. There has been widespread criticism of Mrs Gandhi herself for vacillating over the past two years during which the terrorist movement gained momentum.

World Bank fails to get extra funds for IDA

BY STEWART FLEMING IN WASHINGTON

THE WORLD BANK has failed in its efforts to secure a $3bn increase in the funding for its soft loan agency, the International Development Association, which makes interest-free loans to world's poorest countries.

Mr Moeen Qureshi, senior vice president for finance at the Bank, said yesterday that the effort to secure the additional finance for IDA foundered because Japan and West Germany had refused to participate in the supplemental funding scheme unless the U.S. took took part. The U.S. had made it clear when the attempt was started to raise the extra $3bn that it would not participtae.

In the face of the Japanese and West German decisions, the other European countries and Canada, who had agreed to provide their share of the extra $3bn, had also refused to participate because of the breach of the principle of "burden sharing" Mr Qureshi said.

He said one of the results of the decision would be that Africa would not get the increase in IDA funds that the World Bank had hoped would be available to it.

India and China would certainly not get an yincrease in their share of IDA lending. He said the World Bank was working on a special programme for sub-Saharan Africa and it would be asking donor countries whether they would be willing to subscribe to this special facilitiy.

Last year, because of the U.S. refusal to back a $12bn three-year replenishment of IDA resources, it was agreed that the seventh IDA replenishment would amount to only $9bn.

The World Bank, which maintained that this was significantly less than was needed, then set out to persuade countries other than the U.S. to provide supplemental funding up to the $12bn which most agreed was the minimum necessary IDA funding. It is this effort which has failed.

Separately the Bank said that it had borrowed a total of $9.8bn in its 1984 financial year and refinanced a further $1.5bn of discount notes. New loans and credits to developing countries totalled a record $15.5bn up from $14.4bn in 1983.

The Bank said the overall cost of its borrowings was 8.4 per cent. It said in spite of rising interest rates it has been able to reduce its lending rates to developing countries because of the policy of diversifying the maturity structure and currency of its borrowings.

Mr Qureshi maintained that the past year has been one of innovation for the World Bank on several fronts and that the institution has moved with great speed in responding to changes in the world economic situation.

Petrobras president to quit next month

By Andrew Whitley in Rio de Janeiro

SR SHIGEAKI UEKI, president of Petrobras, the Brazilian state oil company, is to stand down next month after more than four years heading one of the world's largest oil operations.

Sr Ueki, an extremely powerful figure in Brazil, will be leaving in a blaze of glory. He was principally responsible for the domestic production drive which earlier this month saw oil output reach the 500,000 b/d mark, putting Brazil in third place among Latin American oil producers

No reason has been given for Sr Ueki's departure, announced personally by President Joao Figueiredo The belief in oil industry circles is that he wanted to leave on a high note, before the Figueiredo government enters its last months and paralysis affects decision-making.

A former Minister of Mines and Energy under General Ernesto Geisel, President Figueiredo's predecessor, Sr Neki is to become Brazil's ambassador to the European Economic Community in Brussels.

He will leave behind an organisation euphoric about its success in reaching the 0.5m barrels mark 18 months earlier than had been officially planned, generating considerable savings for Brazil's balance of payments.

However, decisions are pressing for the next round of offshore production platforms, neded to guarantee the higher output being planned

Foreign subcontractors, prominent in bringing on stream oil from the rich Campos Basin, offshore from Rio de Janeiro state, have been waiting since May for a decision on the platforms.

Petrobras' problem is the same as that of all Brazilian state companies: the tourniquet applied to all public spending, to keep within the International Monetary Fund's targets.

No successor to Sr Ueki has been announced yet. The expectation yesterday was that one of the oil company's senior directors, probably Sr Joel Renno, production director, will take over until March.

● THE Brazilian Government is confident that it has met all its economic adjustment targets, external and internal, for the first half of the year. Thus, it will not need to seek a "waiver" from the International Monetary Fund when the economic performance is reviewed next month.

"Aren't we marvellous?" enthused Sr Ernane Galveas, the Finance Minister, on Wednesday. He said five main targets agreed with the IMF—foreign exchange reserves, external indebtedness, net internal credit and the nominal and operational public deficits—had all been achieved comfortably.

Caribbean urged by Reagan to support Nicaraguan rebels

BY OUR WASHINGTON CORRESPONDENT

PRESIDENT Ronald Reagan yesterday urged leaders of thirteen Caribbean Islands to support rebels who are opposing Nicaragua's left-wing Sandinista Government.

In an address to the Carribean leaders who have been holding three days of talks at the University of South Carolina the President urged them to unite to resist Marxism in Central America. He took the opportunity too to defend last year's U.S. invasion of Grenada saying that it had prevented danger and turmoil from spreading beyond Grenada's shores.

The Reagan Administration has been stepping up its attacks on the Nicaraguan Government partly in a bid to secure from a reluctant Congress the $21m it wants in U.S. aid to Nicaraguan rebels. The Administration is also anxious to try to ensure that the Central American situation does not blow up into a crisis in the run up to the presidential election in November.

During their three days of talks the Caribbean leaders pressed the U.S. to increase aid to the region. They also expressed their concern that too much of the $350m of economic aid in the Administration's Caribbean Basin Initiative (CBI) would go to Central America rather than to the Caribbean islands.

However the Administration is understood to be resisting calls from the islands for increases in aid and has expressed its opposition to a Caribbean proposal, discussed on Wednesday, for the creation of a new commission to study the area's economic needs. There is continuing unease among the islands that Administration proposals for a major central American programme recommended in the Kissinger Commission inquiry earlier this year, will result in less aid being available for the Carribean.

The Administration's view is that the U.S. and the islands should concentrate on making the Caribbean basin initiarive effective. The CBI came into operation in January and is to last for 12 years. As well as aid to the region it waives duties on imports from Caribbean countries and seeks to encourage U.S. private investment in the islands.

Bahamas premier under fire

By Nicki Kelly in Nassau

SEVERAL hundred placard-waving supporters of Bahama's political opposition thronged parliament square on Wednesday demanding the resignation of Sir Lynden Pindling, the Prime Minister and his Progressive Liberal Party government.

The demonstration came amid a three-week recess by a Royal Commission investigating allegations of drug-related corruption involving the premier and other prominent PLP members.

Bahamians are barred by law from publicly commenting on the proceedings until they terminate at the end of September. Alluding only obliquely to the inquiry, leaders of the Free National Movement said they were protesting at government attempts to stifle the opposition's constitutional right of free speech.

FNM leader Kendal Isaacs said the party was concerned at government economic policy the growth in unemployment and crime,

Police had earlier refused permission fo rthe march, but avoided a confrontation by allowing protesters to walk around the barricades enclosing the area immediately in front of parliament.

Women start to believe they have arrived in U.S. national politics

Democratic National Convention San Francisco '84

Nancy Dunne looks at the way women have dominated the headlines at this year's convention

FROM the party chair, in the corridors and on the television screens, women have dominated this year's Democratic convention as never before in U.S. political history.

Not only did women demand and get the vice-presidential nomination for one of their own, but because of revised party rules, they made up more than half of the delegates.

The convention was planned in part by women, including Ms Layne Dianne Feinstein, Mayor of San Francisco, and it was chaired by Mrs Martha Laynue Collins, the Governor of Kentucky. Ms Geraldine Ferraro, Mr Walter Mondale's running mate, headed the platform committee, where she proved her abilities as a leader and conciliator.

The exhilaration of women, here in San Francisco over the selection of Ms Ferraro has not abated since Mr Mondale *announced it last week.* "There is a belief that women have arrived at last in national politics," said one speaker at the Women's Caucus.

Women hold only 9 per cent of the elected offices in the U.S. but that too is due to change, according to women at the convention. Part of their problem has been lack of money for campaigns which in the past seem to contributors to lack credibility.

"They don't like to ask for money and don't know how to do it well," said Miss Jodie Newman, of the Women's Campaign Fund which raises funds and sponsors candidate training workshops. "We teach women to ask for investments in something they believe in themselves," she said.

Women candidates rea receiving unprecedented assistance in this years' elections. Twenty political action committees (Pacs), which provide tions, have formed to raise funds especially for women.

Ms Ruth McFarland of Oregon, one of 32 women running for Congress, plodded back to her hotel from a candidates' training session on media relations and talked of the help she is receiving.

"The real truth is that we are pioneers," said Ms McFarland, whose under financed campaign barely lost a race for Congress two years ago. "We don't have well trod trails to follow."

The women's movement has spawned hundreds of offshoots, from the establishment fund raisers to the less conventional. While Ms Ferraro was scheduled to make her acceptance speech a newly formed organisation called "Women Running Against Reagan" sponsored a rally and race outside the convention hall.

Mr Ferraro is not running alone aagінst Ronald Reagan," said Mr Deborah Elb, organiser o fthe run. "The women of *America are running against* Reagan outside the convention in a symbolic response to the real Reagan record on womens' rights and peace issues."

She said the organisation would run a similar event outside the Republican convention, and in towns across the nation, "to energise women to run to the polls and retire Ronald Reagan on election day."

Canada's Lalonde to retire

By W. L. Luetkens

MR MARC LALONDE, the "grey eminence" to Mr Pierre Trudeau is following the former Canadian Prime Minister — whom he has served since 1968 — into political retirement.

Mr Lalonde, 54, Minister of Finance since 1982, told Mr Trudeau's successor, Mr John Turner, on Wednesday, that he would not stand in September's general election.

Mr Lalonde has also served as Minister of Health and Welfare, Minister for the Status of Women, for Federal-Provincial Relations, Justice, and Minister of Energy, Mines and Resources.

As Minister of Energy Mr Lalonde attracted the hearty dislike of the Canadian business community by sponsoring the National Energy Program

Business had always looked upon him as what passes as a socialist in North America but, first of all, Mr Lalonde was a devoted, hardworking Trudeau man.

Two years ago, when Mr Trudeau switched to a policy of financial orthodoxy, it was Mr Lalonde, who introduced budgets that came close to pleasing the business world.

Sandinistas announce pre-poll concessions

BY TIM COONE IN MANAGUA

THE NICARAGUAN Government has announced important modifications to the state of emergency which has been in existence for over two years and which has been formally extended until October 20.

The modifications allow for the rights of political parties to organise meetings and demonstrations throughout the country and give guarantees over the freedom of expression, with the exception of matters relating to defence.

The announcement was made by *Sr Daniel Ortega, head of the three-man government junta,* and the Sandinista's presidential candidate for the November elections, during a mass rally in the capital held in celebration of the fifth anniversary of the revolution.

On July 19, 1979, the Sandinista Liberation Front came to power after an 18-year guerrilla war against the U.S.-backed dictator, Anastasia Somoza.

The state of emergency was decreed in 1982 in response to escalating attacks in the mountains by rightist guerrilla forces backed by the U.S. Sr Ortega said that if the U.S. Administration stopped its aggression against Nicaragua, "automatically the entire state of emergency would cease."

The modifications are important concessions to the opposition political parties which have criticised the state of emergency as being the main obstacle to a free and fair electoral campaign. The campaign starts in August and will last for three months until November 4 when the elections will be held for a president, vice-president and a 90-member national assembly.

Nicaragua is embarking upon elections during one of the most difficult periods in the history of the five-year-old revolution. Rightist revolutionaries are on the point of launching a major new offensive and the economy is under heavy pressure *from the combined effects* of a shortage of foreign credit, economic sanctions by the U.S., a stubborn balance of payments deficit, and the serious debilitating effects of war.

The Sandinista Party announced its political programme on Tuesday at the same time as confirming Snr Ortega and Snr Sergio Ramirez as the party's presidential and vice-presidential candidates.

The programme contained no surprises, with defence and security featuring prominently although the party reaffirmed its commitment to a mixed economy and aim to eliminate basic good shortages that have plagued the economy over the past three years.

The Sandinistas are confident of winning the election, and political observers in the country are in general agreement that they are likely to win with an absolute majority.

Mexico opens the door to a left-wing nationalist party

BY DAVID GARDNER IN MEXICO CITY

MEXICO HAS opened a little further the door to representative democracy, monopolised by fair or by foul for the last 55 years by the Institutional Revolutionary Party (PRI), by granting full legal status to the left-wing nationalist Mexican Workers' Party (PMT).

The PMT is the first new party to be brought into the system under the 18-month-old administration of President Miguel de la Madrid, and the first since the major reform of the late 1970s designed to inject a degree of pluralism into Mexico's de facto one-party state.

The Interior Ministry, with ultimate say in legalising parties, simultaneously took away registration from the gadfly Social Decrat Party, which has been loud in its denunciation of corruption and in calling for a moratorium on Mexico's $88bn (£67bn) foreign debt.

The Government's decision to allow the PMT to take part in elections fulfils the twin function—from the PRI's point of view—of providing a safety valve for social unrest and an alternative repository for a growing protest vote which is currently being garnered by the right-wing National Action Party (PAN).

Social unrest has been remarkably restrained given the ferocity of Mexico's recession: the estimated half of the workforce with full-time jobs have taken a 30 per cent cut in real wages over the two years since Mexico's financial collapse and subsequent IMF-inspired austerity programme. However, PRI leaders are known to be concerned, particularly following this year's transformation of the traditionally orchestrated May Day rally into a major protest demonstration, that their all-embracing party and trade union machine is losing its grip.

"Political concessions are the order of the day because we simply don't have the money to grant economic demands," one PRI official explained.

Party officials are also concerned at the forceful showing of PAN over the last 18 months. PAN, which took 16 per cent of the vote in the 1982 presidential election, last year won control of a string of major provincial tow nhalls before a startled PRI again resorted to fraud to deny them victories in Puebla, south of the capital, and in the north-west peninsula of Baja California.

The ruling party believes that PAN was picking up a protest vote against the PRI and the failure of decade-long oil and credit binge so closely associated with it. The left-wing parties brought into the system in recent years—principally the PSUM coalition built around the old Mexican Communist Party, and two older, virtual adjuncts of the PRI, the Popular Socialist and Socialist Workers parties—have failed to establish clear demarcation lines between themselves and the ruling party.

The PMT, led by the highly respected veteran, Sr Herberto Castillo, has remained stubbornly independent in the 10 years since its foundation. It linked two of the main strands in Mexico's left-wing tradition: the populist nationalism of Sr Lazaro Cardenas, the 1930's President who nationalised the oil industry and gave some teeth to agrarian reform, and the 1968 student movement.

The PRI however has a vigorous nationalist left of its own which it is adept at wheeling on stage when it needs to channel he residual radicalism of a people reared on populist rhetoric translated into reality. Were the PMT to develop into a serious challenge, the PRI's left would soon be in evidence.

WORLD TRADE NEWS

IBM in talks with Mexico for computer manufacturing plant

BY DAVID GARDNER IN MEXICO CITY

IBM is negotiating with the Mexican Government to set up a manufacturing operation for its personal computer range here in what would be its fourth main production unit worldwide.

The conditions being sought by the U.S. automated office equipment manufacturer are putting to the test a still unpublished decree regulating the electronics industry and raising the hackles of newly arrived competitors like Apple and Hewlett-Packard, who have adjusted their operations to the yet-to-be enacted legislation.

IBM, which declines to discuss its plans in detail, is believed to be looking for a facility capable of producing up to 200,000 personal computers by expanding its existing Guadalajara plant, which makes the System 36 mini computer. IBM has been established in Mexico as a wholly-owned subsidiary making typewriters since 1927.

Though IBM's plans are geared to the world market for personal computers — within which Mexico would become a unit interlocking with IBM facilities in the U.S., Scotland and Australia — they would put it in a dominant position to exploit a Mexican market with a potential variously estimated at 8,000-20,000 personal computers a year. Mexico would also become the base for the development of Spanish software for an unmeasured but potentially big Latin American market.

IBM is believed by some in the industry to be using its veteran status and the size of its potential investment to squeeze concessions from the government. IBM said the proposals are tailored to existing legislation.

Mexico's foreign investment rules generally require a multinational to be the minority partner in a joint venture, although in practice many foreign companies have set up wholly or majority-owned subsidiaries here.

It would be unique for IBM to set up a plant on anything less than full ownership. The company withdrew from India in the 1970s rather than accept joint venture status.

The new decree on the electronics industry, one of several designed to regulate key sectors of the economy, sets targets for *local content and exports on a* sliding scale and requires minority foreign ownership in personal computer ventures.

Apple set up a joint venture on this basis to make its Apple IIE model in February. Hewlett-Packard, which has a wholly-owned company making its HP3000 mini computer in Guadalajara, has set up a joint venture to produce its HP150.

ICL has been granted its licence to a newly-formed Mexican company which has plans to produce the ICL personal computer.

IBM's competitors are now concerned thta they would be at a serious disadvantage were the planned new regulations to be waived to accommodate the U.S. giant.

Peru-Japan talks on jungle oil

By Doreen Gillespie in Lima

A PETROPERU marketing team is flying to Tokyo at the end of July in the latest attempt to reach agreement on prices for jungle oil to be delivered to Japeco, the Japanese petroleum company, under the 10-year-old $400m loan which helped finance jungle oil exploration and construction of the north Peruvian pipeline.

The Japanese group has first rights to crude oil produced from the Amazon basin, subject to agreement on prices. Crude shipments, which began in 1980, were halted last year because torrential rains and flooding in Peru forced a sharp drop in production. Petroperu claimed force majeure in not being able to honour the contract, which also laid down $48m annual ammortisation of the 10-year-loan.

Agreement on a new price will be watched closely both by oil companies interested in the potential of the Amazon basin and by Peru's international creditors.

Petroperu says it will be offering Japeco up to 1.6m barrels of Loreto crude for delivery between October this year and next April. Meetings held in April and May for shipment of up to 1.2m barrels of crude between June and September this year failed to reach agreement.

Petroperu says it shipped 800,000 barrels in June to Sun Oil of the U.S. which paid $1.10 per barrel above the $25.70 Japeco was offering.

Brazil heads for subsidies clash with U.S.

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL and the U.S. are heading for another fight over the Brazilian Government's determination to maintain the *present level of its export incentives* beyond the agreed expiry date of next March.

The issue goes to the heart of the debate over whether special exceptions to generally agreed rules on international trade should be made for heavily indebted countries such as Brazil, to enable them to export their way out of their debt servicing difficulties.

Under heavy pressure from Western industrialised nations led by the U.S., Brazil originally agreed to phase out its controversial export subsidies by 1983. Then, when the debt crisis broke in late 1982, a reluctant U.S. Government agreed to sanction an extension of these benefits for two years, to March 1985.

However, Brazilian officials have in recent weeks been publicly and privately reassuring anxious exporters that the flat 11 per cent tax break will either be maintained or replaced by equivalent benefits.

The chief proponent of such a step is Sr Carlos Viacava, the foreign trade chief. He is believed to have the crucial support of Sr Antonio Delfim Netto, the Planning Minister, and to be the mastermind of Brazil's strategy of an export-led recovery.

First reactions from Western diplomats in Brazil have been to say that any effort to prolong the tax breaks beyond the March deadline would find a very frosty reaction, particularly in Washington. An attempt to introduce more concealed benefits would be regarded even more severely, they say.

Brazil has long argued that the export incentives it provides are no different from those made available by other industrialised and developing countries. But this has not been accepted by the General Agreement on Trade and Tariffs (Gatt) or by Brazil's major competitors.

● The U.S. Export-Import Bank approved a $15.7m (£11.98m) direct loan to the Brazilian government to help finance purchases of machine tools and other U.S. equipment, AP-DJ reports from Washington.

Eximbank said Cincinnati Milicron and other U.S. manufacturers will supply equipment costing about $24.2m for use at a commercial aircraft factory at Sao Jose dos Campos, Brazil.

The Brazilian company, Empresa Brasileira de Aeronautica, S.A. (Embraer), is tooling up for the production of the EMB-120, a 30-passenger turboprop commuter aircraft. Eximbank said 34 U.S. companies would supply goods and services for the project.

To finance the U.S. equipment purchases, the Brazilian Government is borrowing $15.7m from Eximbank at 11.9 per cent annual interest and will arrange $4.8m in private credits from other lenders with Eximbank guarantees of these loans. Brazil also will make cash payments of about $3.6m to complete the financing package.

W. Germans win Soviet prefab order

By Leslie Colitt in Berlin

SELLING technology to the Soviet Union to manufacture precast concrete buildings could be uphill work—it is probably the world's largest producer of such housing. But a West German building company, Kesting, has signed its second contract in two years with the Soviet bloc foreign trade organisation Promashimport for a plant to produce precast concrete sections.

The deal, worth DM 27m (£7.2m), is for a plant to be built at Kaluga, south west of Moscow, for the Soviet Ministry of Natural Gas. The prefab housing will be erected along the Urengoi gas pipeline which is to deliver natural gas from Western Siberia to Western Europe.

In addition to the technology, Kesting will deliver equipment to produce reinforced steel, doors and windows. The company said that although the Soviet Union is a major producer of prefab housing, it does not produce machinery to make high-quality precast concrete elements. On a hunch, Kesting took part in a Moscow fair in 1979 organised by the Soviet Building Ministry. It had already delivered equipment to Poland for 18 housing factories.

The first order from Moscow came in 1982. That project, worth DM 20m to the West Germans, was to produce elements for collective farm housing at Tula and is to begin production at the end of this year.

Kesting says it is one of the largest private building companies in West Germany, with an annual turnover of about DM 200m.

Comecon exports 'will rise 7%'

BY PARTRICK BLUM IN VIENNA

WESTERN TRADE with East bloc countries will grow in 1984 despite trade sanctions, the Vienna-based Institute for Economic Research says in a study published this week.

Growth is expected in exports and imports with the European Comecon area, including the Soviet Union, with exports to the West rising faster than imports.

Exports from the OECD countries to Comecon will grow by 5 to 6 per cent, while imports from Comecon will increase by up to 7 per cent, the study says.

The OECD trade deficit with Comecon is likely to be about $3.8bn (£1.22bn), roughly the same as last year.

The Comecon countries will seek to maintain their positive balance with the West this year, taking advantage of economic improvements in the West by selling more primary and semi-finished products such as oil, gas and petrochemicals, Dr Jan Stankovsky, author of the study, says.

In dollar terms, OECD countries' exports to Eastern Europe have fallen from $42.3bn in 1980 to $35.8bn in 1982 and $34.9bn in 1983. OECD imports, which were roughly balanced in 1980—$42.8bn—also fell to $39.4bn in 1982 and to $38.8bn in 1983, but the West's deficit grew to $3.6bn in 1982 and to $3.9bn in 1983.

More surprising has been the growth in trade with the U.S., which registered the highest growth rate: U.S. imports from Comecon were worth $1.4bn—up 27.3 per cent—with imports from the Soviet Union up by 52.4 per cent last year, although the value of these is still relatively small at $300,000.

Italy, France, the Netherlands and Spain have made some of the biggest inroads in the East European markets.

Growth in the Western European market, which accounts for about 90 per cent of Comecon exports to the West, is expected to be *rather modest,*

● Voest-Apine, the Austrian state-owned steel and engineering group, has won an order to supply IBM with multi-layered circuit plates worth over Sch 1bn (£38m).

Turks to build N. Yemen dam

By David Barchard in Ankara

DOGUS INSAAT, an Istanbul-based Turkish construction company, has won a $75m contract to build a dam at Ma'rib in North Yemen.

Funding for the project is being supplied in full by the Abu Dhabi Government. When completed, the dam will irrigate 6,700 hectares of farm land. It will replace one built 3,000 years ago, allegedly by the Queen of Sheba, but later destroyed in an earthquake.

The project, the first won in *North Yemen* by a Turkish construction company, is expected to be finished in 38 months. Mr Ayhan Sahenk, chairman of Dogus Insaat, said the contract value may eventually rise to $100m.

Thai Oil halts $452m refinery expansion deal

BY BOONSONG K'THANA IN BANGKOK AND IAN RODGER IN LONDON

THE THAI Oil Refinery Co. (Torc) has terminated a $452m refinery expansion contract with a consortium consisting of Davy McKee of Britain and Technip and ProcoFrance of France, after failing to reach agreement on financing arrangements.

Torc is calling for new international tenders for the long-troubled project, which involves the installation of a high-vacuum unit and a hydrocracker complex at its 65,000 barrel-a-day oil refinery in Chon Buri province.

The troubled contract was awarded to the Anglo-French consortium in April, 1982. It has been stalled ever since because of attempts by the banks to obtain guarantees from the Thai Government.

Torc is 49 per cent owned by the Petroleum Authority of Thailand. The banks have been concerned about the project's viability and the ability of Torc to repay loans if, as they expect, profit margins from it are low.

Last November, negotiations were called off by the Thai Industry Minister, Mr Ob Vasuratna, but were reopened early this year after the British and French governments stepped in with grants, soft loans and buyer credits. Both governments wanted Thai Government guarantees in relation to the credits, but Bangkok said it could not legally provide these for a company in which it had a less than 70 per cent stake.

Yesterday's decision to cancel the contract came after the two European banks which were to lead the project's syndicated loan, Banque Indosuez and Morgan Grenfell, asked for a further review of the security package. Earlier, Barclays Bank International and Société Générale backed down as project financiers.

Mr Peter Benson, chairman of Davy, said the news was "extremely disappointing." On the day last November when uncertainty about the project became known, Davy's shares lost 12 per cent of their value. Yesterday's news came late in the day, and the shares ended marginally ahead after publication of the group's 1983-84 results. Pre-tax profits were up 20 per cent to £7.53m ($9.7m).

Mr Benson said loss of the project could affect Davy's London engineering office this autumn. The group was bidding for several contracts that could fill the gap, but at the worst, the 900-strong workforce might have to be reduced by a tenth.

He said Davy had not decided whether to submit another bid. "We have been trying to put packages together for two years. I'm afraid we are running out of ideas in France and the UK."

BUSINESS LAW

Coal and petrol pose problems within EEC

BY A. H. HERMANN, LEGAL CORRESPONDENT, IN LONDON

WHY CAN'T the EEC treat coal like it treats butter? Both are sources of energy, and British coal miners can stir, it seems, as much political trouble as French farmers.

Even the justification of the heavy subsidies dished out for butter and other agricultural products – that without them French farmers would all turn Communist and that self-sufficiency in food production is a strategic necessity – could *mutatis mutandis* be used as an argument for maintaining sub-economic coal pits with the help of an EEC subsidy. The immediate disappearance of the EEC budget problem – at least the UK's excessive contribution to it – would no doubt be a welcome side effect.

Although this seems to be a vision too far to be realised in a historically near future, the European Court in its usual pre-holiday outburst of judgments has shown remarkable understanding for the member governments concerned over their supply of energy resources. In a judgment * answering questions submitted by the Düsseldorf Finanzgericht (inland revenue court), the Luxembourg judges held that Germany was within its rights when levying an import duty on coal imported from the Netherlands, if it originated from a non-EEC country.

This decision softens an earlier judgment † of the court, taken 23 years ago almost to the day, according to which products imported into the Coal and Steel Community from outside should enjoy the benefits of free circulation. The court has now reaffirmed the principle that the origin of a product would not affect its free circulation and that the ECSC must be viewed as a customs union. However, it upheld the West German Government's view that this principle was subject to exceptions necessary for the protection of the national industries, and provided for in Article 74 of the European Coal and Steel Community Treaty.

Article 74 provides, among other things, that the high authority – now the Commission – may recommend member states to take protective measures if coal or steel "are imported into one or more member states in relatively increased quantities and under such conditions that these imports cause or threaten to cause serious injury to production within the Common Market of like or directly competing products." The high authority made such recommendations to Germany in 1959, and the German measures introducing an import duty on coal from third countries above a duty quota were later extended until 1995.

The importer, who was asked to pay an import duty after the German authorities had discovered that the "Dutch coal" in fact originated outside the Community, has also prompted another question, namely how long can such recommendations be effective? The European Court admitted that exceptional provisions can be valid only as long as the conditions justifying them persist. The court, however, had no doubt that a liberalisation of imports from third countries in the 1970s and 1980s would have weakened the market still further and substantially damaged the German coal mining industry.

Twelve days later, on July 10, the European Court went much deeper into the problem member states have ensuring energy supplies and arrived at a remarkable and far-reaching conclusion, allowing significant exceptions from the principle of free circulation of goods, one of the basic doctrines of the Community.

The occasion was a dispute** involving Campus Oil and five other importers of petroleum products, on the one hand, and the Irish Minister for Industry and Energy, the Attorney General and the Irish National Petroleum Corporation on the other. The importers argued that the Irish Government infringed the EEC principle of free circulation of goods by the Fuels (Control of Supplies) Order 1982. Under this order each importer is required to purchase 35 per cent of his requirements from the state-owned Whitegate refinery at prices determined by the Minister. These prices are higher than those prevailing on the world market.

The Irish Government argued that it had taken this measure for reasons of public policy and public security. In the absence of any domestic source of oil and in view of the dominance of the international market by a few multinationals, Ireland had to take special measures to maintain a degree of independence in purchasing crude and in refining. Otherwise it would have been dependent on the UK for 80-90 per cent of its supplies of refined petroleum products.

The Irish Government denied any economic motives, but the Greek Government, in supporting it, said that "a state-owned establishment... is unable to compete on the same footing with vertically integrated multinational undertakings and is at a disadvantage as regards the ability to make large-scale purchases." The UK Government accepted in its observations that the maintenance of essential public services fell under the heading of "public security," but said that a member state could not invoke public policy or public security if the measures in question were designed predominantly to attain economic objectives.

The Commission argued that the exception from the principle of free circulation of goods on the grounds of "public security" should be restricted to such matters as national defence and the maintenance of civil peace. However, the court concluded that it was essential to public security to ensure at least a minimum supply of petroleum products at all times. It upheld the Irish regulations with the proviso that the purchasing obligations must not exceed the *minimum necessary for* the survival of the population. The Government was also entitled to demand a higher than market price to enable the state-owned refinery to maintain the indispensable level of production.

The measure opens the gate to all sorts of national measures for the protection of domestic industries as long as their continued operation and production capacity can be said to be necessary for the maintenance of essential services. There is almost no limit to the products which can, with some effort, be squeezed in under this heading.

The third question-mark on the principle of free circulation of energy supplies within the Common Market concerns the French regulation of petrol prices. Distribution of petrol is regulated in France by a law of March 30 1928. This created a complicated regime of licensing, and its most significant effect is the maintenance of a minimum price linked to the factory price of French refineries.

One of the effects is that independent petrol distributors cannot compete by selling imported petrol at a lower price. This system was attacked by Centre Leclerc, a chain of French supermarkets operating a cut-price policy. Its prices in turn were attacked in the commercial court of Toulouse †† by garages observing the official minimum price.

The dispute has been referred to Luxembourg with the question whether the French legislation is compatible with the EEC treaty. The Commission submitted that it was not. The minimum price has, according to the Commission, the same effect as a quantitative restriction on imports from other member states.

* *Case 36/83, Mabanaft GmbH v Hauptzollamt, judgment June 28 1984, unreported.*

† *Joint cases 9 and 12/60, Vloeberghs, 1961 Rec. p. 391*

** *Case 72/83, unreported.*

†† *Case 231/83, Henri Cullet and others v Centre Leclerc, pending.*

Liquidator of Laker Airways wins right to continue claim

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

THE LIQUIDATOR of Laker Airways has won the right to continue his $1.7bn anti-trust damages claim in the U.S. against British Airways and British Caledonian.

Five UK Law Lords – acting as the UK's ultimate court of appeal – were yesterday unanimous that the British airlines were not entitled to an injunction stopping the liquidator, Mr Christopher Morris, of chartered accountants Touche Ross, going ahead with the claim against them.

Allowing Mr Morris's appeal against a Court of Appeal ruling last July, the Law Lords rejected the argument by BA and BCal that it would be "unconscionable" for Laker to sue them for conduct permitted by the rules of the scheduled airlines' "club" of which they and Laker Airways had been members.

BA and BCal were operating in the U.S. and were subject to U.S. laws, including anti-trust laws, they ruled.

Lord Scarman said that the English courts had no role to play in the dispute – "important though it may be to the economic interests of the UK."

The liquidator's claim in a Washington district court is against BA, BCal, Pan American, Trans World, Lufthansa, Swissair, KLM, Sabena, Scandinavian Airlines Systems, Union De Transports Aeriens – a French airline – and two McDonnell Douglas companies.

He alleges a conspiracy in breach of the anti-trust Sherman Act to destroy Laker by fixing "predatory" low fares on the transatlantic route, and by putting pressure on potential participants in a scheme to rescue Laker to withdraw their support.

All the defendants deny the allegations.

Lord Diplock said that BA and BCal's main argument was that, having had the benefit of being admitted into the scheduled airlines' club, which provided among other things, for agreement on fares, Laker could not in good conscience complain of conduct by fellow members that was permitted by the club's rules.

British airlines licensed to operate on the transatlantic routes had to charge fares authorised by both the UK Civil Aviation Authority and the U.S. Civil Aeronautics Board.

If the CAB approved a fares agreement it could make an order exempting the agreement and acts done in the performance of it from the anti-trust laws.

The agreement on which Laker's conspiracy allegation was based had not been approved by the CAB, so there could be no question of exemption.

Lord Diplock said that Laker, BA and BCal had voluntarily submitted themselves to a regime which made them subject to U.S. law. It was impossible to argue plausibly that, in so doing, Laker had precluded itself from suing BA and BCal under the anti-trust laws for what they had done in the U.S.

Nor, he added, was there anything unconscionable or unjust in Laker doing so.

The Law Lords rejected Laker's complaint that the UK Trade and Industry Secretary had exceeded his powers last summer when he issued directions under the 1980 Protection of Trading Interests Act, severely limiting the extent to which BA and BCal could co-operate with the U.S. court.

Lord Diplock said that such a ministerial decision could only be overturned if it was unreasonable. When it was a decision concerning the UK's international relations, a very strong case had to be made out, and Laker had come nowhere near doing so.

Lord Scarman said that the Civil Aeronautics Board could lawfully have exempted the allegedly predatory fares from the anti-trust laws. If its failure to do so constituted a breach of the Bermuda Two civil aviation treaty between the UK and the U.S. – as the UK Government alleged – the remedy was by arbitration between the two states or by diplomatic action.

After the judgment, Mr Morris said he would now resume the proceedings in Washington against BA and BCal, which had been held up for a year by what he described as "a procedural sideshow and blocking tactic" by the two airlines.

He was particularly pleased to have won because it meant that a substantial amount of the legal costs of the English court proceedings would be recovered from the two airlines.

N. Sea contract for Herrema

By Maurice Samuelson in London

THE DUTCH-OWNED *Herrema* group of companies has won the contracts to build and instal the subsea facilities for Texaco's Highlander field in the North Sea.

The production template and gas/oil separator module will be built in the UK by Lewis Offshore, based in Stornoway, Isle of Lewis.

Fabrication work will begin in September and is expected to be completed in the second quarter of 1985, providing about 300 jobs at the peak.

Oil industry sources believe the contracts to be worth nearly £10m ($13m).

STC to supply subsea cable

By Jason Crisp in London

STANDARD TELEPHONES and Cables (STC), the British electronics group, has signed a £104m ($136m) contract to supply a submarine telecommunications cable linking Australia and Singapore via Indonesia.

STC, which has the largest share of the world's submarine telecommunications cable market, has won four major contracts in the past eight months worth over £200m.

It was recently awarded a £60m contract for a cable linking Singapore with Hong Kong.

STC also won a small share (£30m) of another major cable from Singapore

UK NEWS

Orders for machine tools show sharp rise

By Ian Rodger

BRITAIN'S depressed machine tool industry, which only a year ago seemed in terminal decline, appears to be firmly on the recovery trail.

New orders in the first four months of 1984 were 42 per cent ahead up on a year earlier, according to the latest Department of Trade and Industry (DTI) statistics. Orders in April reached the highest monthly level since September 1981.

The statistical trend is backed by reports from a number of machine tool builders. Mr Stephen LeBeau, marketing director of Bridgeport Textron, one of the largest manufacturers, said the group's orders were up 53 per cent in the first half of the year compared with the same period last year.

Mr Graham Shortell, of the Machine Tool Trades Association, said the DTI statistics were, if anything, stronger than the association's trend surveys would indicate.

The industry's recovery is in part a reflection of increased capital spending by metal-working manufacturers. It also shows, however, that British builders have gone a long way to restoring their competitiveness with foreign, especially Japanese, builders of sophisticated machine tools.

The latest trade statistics show that import penetration in the UK market has been declining. In 1983, the value of imports as a proportion of consumption dropped from 60 per cent to 55 per cent. Builders believe that trend is continuing, helped to some extent by a voluntary restraint agreement with Japanese companies.

Another factor buoying machine tool orders has been the Government's programme to help small engineering companies to buy computer-controlled machine tools. More than £50m was allocated under the so-called Sefis programme and over half was spent on British machine tools.

The latest new order statistics show that the recovery in the home market has been much stronger than in export markets. Home orders in April were roughly double the level of a year earlier, while export orders were up about 40 per cent.

Thatcher stiffens attack after coal talks failure

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, Prime Minister, and her closest Cabinet supporters, yesterday launched a concerted and strongly worded attack against Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), and Mr Neil Kinnock, the Labour Party leader, after the breakdown of the coal peace talks, late on Wednesday night.

The timing and content of their remarks indicates a decision by the ministers to step up the temperature of the dispute by focusing on Mr Scargill's role and seeking to link it to Mr Kinnock in a joint barrage.

The theme of speeches and statements yesterday by Mr Nigel Lawson, the Chancellor of the Exchequer; Mr Leon Brittan, the Home Secretary; and Mr Peter Walker, the Energy Secretary; was that Mr Kinnock had become Mr Scargill's poodle or puppet. Ministers' language was substantially tougher and more outspoken than any used so far in the dispute.

Mr Brittan accused the Labour Party under Mr Kinnock of "lending its support to the clearest attempt since the Second World War to use violence, intimidation and industrial blackmail to force out of office a democratically elected Government."

Using almost identical phrases, Mr Lawson accused Mr Kinnock of having "conspicuously failed" to rid himself of people who have nothing but contempt for the rule of law. He said, that the picture last weekend of Mr Kinnock and Mr Scargill grinning happily together on the same platform would be "etched indelibly in the nation's mind."

The Energy Secretary said that it could only be Mr Scargill's desire to impose on Britain the type of Socialist state that the British electorate constantly rejected that motivated Mr Scargill to continue to do so much damage to his industry.

Asked to comment on Mr Walker's attack, Mr Scargill said from his headquarters at Sheffield that the coal industry would have been on the road to a settlement had it not been for the Government's wish to defeat his union.

He described Mr Walker's statement to MPs as "the latest example of direct Government interference in the coal dispute."

Mrs Thatcher had blamed the NUM for the breakdown of the talks. Miners had sought a blank cheque from the taxpayer with its demand to keep pits open "whether or not they were beneficial to the mining communities."

No industry could operate on such a basis and no Government could ever accept such pressure for a blank cheque, she said.

Mr Kinnock calculated that the cost of the dispute had risen to about £2bn. He argued that this meant that the arithmetic on which the Prime Minister based her position had become redundant.

Battle for hearts and minds, Page 13

Minet extends deadline after 190 underwriters reject offer

BY JOHN MOORE, CITY CORRESPONDENT

A £38.17m offer by Minet Holdings to compensate 1,525 Lloyd's insurance underwriting members for the alleged misappropriation of their funds by former executives with the Minet group has not been accepted by 190 underwriting members.

Legal action is being considered by the 190 members in an effort to recover their money, Minet executives were meeting yesterday to consider the implications of the resistance. Minet had said that the offer was conditional on all underwriting members accepting the deal.

A deadline of noon yesterday had been set for the acceptance of the offer. When the level of acceptances became clear shortly after the time had passed Minet extended the deadline until 5pm next Tuesday.

Until this deadline is reached the 1,335 members who have accepted can withdraw their agreement to the deal.

Minet has made its compensation offer with Alexander & Alexander Services, the insurance broking group which owns Alexander Howden. Minet has alleged that former executives used Howden companies secretly to channel the underwriting member's funds offshore to companies owned by the former executives.

On the face of it the offer looked to be a satisfactory conclusion to one of the worst problems in recent years in the London insurance market.

Underwriting members who are resisting the offer have described it as "outrageous" and are seeking a better deal.

Lloyd's moved yesterday to strengthen its regulatory systems after the growing troubles surrounding the Minet offer. Mr Ian Hay Davison, chief executive, said that Lloyd's would not extend its own deadline of July 21, by which time underwriting members must show that they have enough funds

Underwriting members whose affairs are managed by Minet's agency interest face losses of £37m and are seeking the recovery of their missing money to help them meet the underwriting losses.

Minet and Alexander and Alexander Services was making funds available of £38.17m, which they said was equivalent to the amount which had been misappropriated.

Lloyd's said that the money, which formed the offer to the underwriting members would be regarded as a satisfactory asset to show that they had enough funds to meet losses.

The offer cannot be made to the members unless 100 per cent accept, or Minet decides that it has sufficient support to allow the offer to go unconditional.

Although the level of acceptances appears to be running at 87 per cent, big investors in the Minet underwriting insurance syndicates are holding out for a better deal.

Stranded drivers vent their anger

By Paul Cheeserlght in Ostend

ATTEMPTS BY truckdrivers at Ostend yesterday evening to force their way to Dover and break the dockers' strike ended in frustration.

Paul Cripps of Newpark Transport, a Swindon, Wiltshire company, led seven other trucks on to the 8.30pm ferry without any authorisation. Then the police intervened and light barriers of luggage trolleys were interposed between other trucks and the ferry.

Furious that other drivers had not followed his lead quickly enough, Mr Cripps, with tears welling in his eyes shouted abuse at watching colleagues.

His action, and that taken with him by three other British trucks, one Swiss, one Greek and two German trucks, reflected bitterness that an agreement the drivers thought they had with the docks union at Dover was not being honoured.

The agreement, they believed, provided for accompanied trucks caught at the weekend and last Monday by the sudden dock strike to go home last night. But drivers said the union had simply hung up when they telephoned to seek confirmation of the arrangement.

The perceived failure to honour this agreement set off a spate of anti-union feeling among the drivers. Like the dockers, they belong to the Transport and General Workers' Union and, they say, outnumber the dockers in the union by 10 to one.

More than 30 accompanied trucks have been stranded at Ostend since the weekend. By yesterday evening, there was a backlog of 70 waiting to move and parked at the terminal. Also in Ostend are more than 200 unaccompanied trailers.

Owner operators are fearful of being pushed out of business. Mr Melvyn Blackburn of Wakefield, Yorkshire, said: "We're just fed up with being caught in other people's disputes. The drivers get clobbered every time."

Small operators need to make £1,000 per truck per week to stay solvent, the drivers said.

Sealink, the main carrier between Ostend and the Kentish ports, said the backlog of accompanied trucks could be cleared in four hours if the strike in Britain ended.

Company Notices

TRANSVAAL GOLD MINING COMPANIES
ADMINISTERED BY
ANGLO AMERICAN CORPORATION
INTERIM DIVIDENDS—FINANCIAL YEARS
ENDING DECEMBER 31 1984

On July 19, 1984 dividends were declared in South African currency, payable on September 14, 1984 to members registered in the books of the undermentioned companies at the close of business on August 10, 1984, and to persons lodging their share warrants to bearer and talons issued by The South Africa Land & Exploration Company Limited at the office of the United Kingdom transfer secretaries, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

The transfer registers and registers of members will be closed in each case from August 11 to 24 1984, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about September 13 1984. Registered members paid from the United Kingdom will receive the United Kingdom currency equivalent on August 13 1984 of the rand value of their dividends (less appropriate taxes). Any such members may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before August 10 1984.

The effective rate of non-resident shareholders' tax for the undermentioned companies is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Johannesburg and the United Kingdom.

Name of company (each of which is incorporated in the Republic of South Africa)	Dividend No.	Rate of dividend per share
Elandsrand Gold Mining Company Limited	4	15 cents
The South African Land & Exploration Company Limited	86	20 cents
Vaal Reefs Exploration and Mining Company Limited	56	600 cents
Western Deep Levels Limited	45	185 cents

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: R. S. Edmunds
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg
2001
(P.O. Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office:
44 Main Street
Johannesburg
2001
(P.O. Box 61587
Marshalltown
2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ.

aac

Johannesburg
July 20, 1984

OIL COMPANY OF AUSTRALIA N.L.

URGENT NOTICE TO OPTION HOLDERS

1. Your OCA options expire on **Monday, 30th July 1984.**
2. The last day for Stock Exchange trading of your OCA options is **Monday, 23rd July 1984.**
3. Boral has announced that it will purchase OCA options on the Stock Exchange at a price of 55 cents per option until the close of trading on Monday, 23rd July 1984.
4. Optionholders should be aware that there may be implications in relation to Section 26AAA of the Income Tax Assessment Act. In particular, if options are exercised and the resulting shares are disposed of within 12 months, whether by sale, acceptance of takeover offer or compulsory acquisition under takeover offer, any "profit" may be subject to tax.
5. Alternatives available to you are:
   — to exercise your options by 30th July and determine later, following board advice and taking into account taxation implications, whether to accept the Boral offer or to retain the shares:
   or
   — to sell your options by 23rd July in the stock market.
6. Directors will not be able to offer detailed advice in relation to Boral's offer prior to 23rd July.
7. IF IN DOUBT YOU SHOULD SEEK EXPERT ADVICE.

Financial Advisers to Oil Company of Australia N.L.

LLOYDS INTERNATIONAL LIMITED

UK NEWS

Leyland slows pace of truck redundancies

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND TRUCKS, the BL subsidiary, has eased back the timing of the redundancy programme at its Bathgate plant in Scotland because export truck orders are running ahead of expectation.

Leyland announced in January that operations at Bathgate were to be phased out over the next two years resulting in 1,770 redundancies.

Some 516 people were given notice in January and were due to leave by the holiday shutdown in August.

Mr Les Wharton, managing director of Leyland Trucks, said yesterday that, although no formal agreement on the closure had yet been reached with the unions, the programme was going smoothly.

About 220 workers had taken redundancy payments ranging between £5,000 and £9,000 each, depending on length of service, and another 50 to 70 people would have left by August.

There had been no need to press for all the 516 to leave by that time because orders for the last of the Bathgate export trucks were above those originally forecast.

Mr Wharton was speaking at a presentation of a new truck Leyland is to launch in September, formerly code-named MT211 and which has been described as a vehicle as important to Leyland as the Metro was to Austin Rover's recovery programme.

He revealed that the new truck, in the 6 to 10 tonnes range, will be called Roadrunner and suggested that next year it would take Leyland back to leadership of the UK market for vehicles above 3.5 tonnes gross weight.

Tax evasion inquiries yield return of £352m

BY CLIVE WOLMAN

INVESTIGATION of tax evasion and fraud by the Inland Revenue last year yielded a return of £352m, a fivefold increase since 1976 after allowing for inflation.

The mist effective crackdown by the taxman has been in the small business sector.

Details of the taxman's investigation work are contained in the Inland Revenue's annual report for 1983 issued yesterday.

Local tax offices failed to achieve the target set at the start of the year to carry out an in-depth examination of the accounts of small, unincorporated businesses. Nevertheless, such investigations yielded an extra £197m in the year to November 1983, compared with £139m the previous year.

In 90 per cent of the businesses examined, an adjustment had to be made to the declared profits figure. The proportion of cases where penalties were imposed rose to a record 37 per cent compared with only 15 per cent in 1979.

These figures do not take into account the evasion of value-added tax, which is collected by the Department of Customs and Excise.

The other major target for investigations by the taxman has been in the operation of the pay-as-you-earn system administered by employers and the construction industry's special deduction scheme. In the year to November 1983, 81,000 inspections were carried out and these unearthed irregularities in 20,000 cases. This yielded an extra £43.8m including penalties. In 1981, only 21,000 inspections were carried out.

The number of people convicted of tax fraud continued to fall from a peak of 538 in 1976-77 to 345 in 1982-83.

The most expensive tax to collect is the development land tax, with costs as a proportion of yield at 7.4 per cent. The cheapest is the special oil tax, at only 0.01 per cent.

Power of armed service chiefs reduced in defence shake-up

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

PROPOSALS which will greatly diminish the power of the chiefs of Britain's three armed services have been presented to parliament by Mr Michael Heseltine, the Defence Secretary.

His long-awaited White Paper (policy document) outlines a big reorganisation of the top echelons of the Ministry of Defence (MoD) in Whitehall. It contains no surprises that were not heralded in the consultative document issued by Mr Heseltine last March – but neither does it appear to have been modified as a result of opposition by the chiefs of staff of the army, navy and air force.

The White Paper describes two major changes and several other significant moves which are to be introduced next January to streamline MoD management and decision-making. It will create a new unified defence staff and a new office of management and budget.

Together, the new bodies will have control of all military policy making and operations as well as of resource allocation between and within the three services. As a result, the chiefs of the army, navy and air force will become administrative heads of their services only.

The White Paper makes clear that, in addition, the service chiefs will be expected to delegate much of their administrative power to commanders or other officers in the field.

The White Paper notes that the context for the reorganisation is the increasing need – whether within Nato or in areas like the Falklands – for the three services to be "equipped and trained to fight together." Thus "future policy for each service must be shaped increasingly within a common defence framework."

The reorganisation is also seen as increasing efficiency and saving costs, whether by direct savings in jobs or, for example, through greater competition in weapon procurement.

Although the White Paper says there is need for "improvements in the way procurement is conducted," big institutional changes in the Procurement Executive, which this year will buy some £7.8bn of equipment, are apparently not envisaged. The White Paper merely reiterates the importance of existing policies to increase competition and efficiency, including greater interchange of staff between the MoD and industry.

The main measures are:

- The Chief of Defence will now be the Government's principal military adviser. He will "take into account the views of the Chiefs of Staff and ensure that they are properly reflected". The permanent under-secretary is the Minister's principal civilian adviser.
- The new unified defence staff will have "the corporate duty of finding the best solution to the problems of the day, whether of an operational nature, strategic planning or defence priorities".
- Creation of an office of management and budget to give "much stronger central determination of priorities for expenditure and control of resource allocation." It will scrutinise all new equipment programmes and will extend financial control of the service personnel budgets.
- Abolition of the present two committees which oversee procurement programmes and creation of a single equipment policy committee an a "defence-wide" basis.
- Reorganisation and centralisation of the MoD scientific staff.

Consumer spending rises 2%

BY PHILIP STEPHENS, ECONOMICS STAFF

CONSUMER spending in Britain bounced back in the second quarter of this year, rising nearly 2 per cent from the depressed levels between January and March.

The Central Statistical Office said yesterday that its provisional estimates put spending at £36.9bn, based on 1980 prices, in the three months to June, up from £36.2bn in the first quarter.

The increase, which largely reflects a strong recovery in retail sales, will be welcomed by the Government. It expects growth in spending to remain a key element underpinning the economic recovery in 1984.

Retail sales account for about half of all consumer spending. A fall in shop turnover the early months of the year had appeared to signal that the consumer boom was running out of steam.

The 1.4 per cent drop in consumer spending in the first quarter, however, means that despite the recent revival growth is still falling short of the Government's forecast.

Expenditure between January and June was unchanged from the level in the second half of 1983 and just 2 per cent above the first six months of that year.

For 1984 as a whole, the Treasury has forecast a rise of over 3 per cent. The recent rise in interest rates, bringing higher than expected inflation, however, could dampen spending later in the year.

The consensus of City of London forecasts indicates that the rise will thus be closer to 2 per cent, which – taken with the damaging effect on output of the miners' strike – is expected to undermine the Government's prediction of 3 per cent economic growth.

- Sterling M3, the broad measure of the money supply, grew by 2 per cent in the month to mid-June, the Bank of England confirmed yesterday.

The rise, which was in line with the Bank's provisional estimate, takes its annual growth rate since the start of the present target period in February to 14.8 per cent, against a government target of 6 to 10 per cent.

A 1.1 per cent June increase in Mo, the narrow monetary aggregate, took its annual growth rate to 6.6 per cent, compared with the 6 to 8 per cent target.

The acceleration in the money supply in recent months has caused concern in the City and was a subsidiary factor behind the recent rise in interest rates.

The strong growth in sterling M3 during June reflected buoyant bank lending and public sector borrowing, and the relatively slow pace of gilts sales.

The Bank said that PSL2, the broadest money supply measure, rose by 2.2 per cent in June, taking its annual rise since February to 20.2 per cent. The Treasury has dropped its target for PSL2.

Monuments 'damaged' in Cadbury egg hunt

By Lisa Wood

A TREASURE hunt competition organised by Cadbury Schweppes, the foods and confectionary group, may have caused incalculable damage to some of Britain's archaeological sites, the annual report of the Ancient Monuments Board for England, said yesterday.

Competitors following clues provided by Cadbury Schweppes have been searching for "golden eggs" buried in the British countryside.

The treasure hunt, said the report, inspired many people to dig holes where they disturbed archaeological strata which is vital in the dating of sites. The report deemed such treasure hunts as "irresponsible" and called upon Government ministers to publicise the loss to the nation's heritage which could be caused

"It is accepted," said the report "that Cadbury Schweppes never intended to encourage the disturbance of any site or monument. We were appalled to find that, nevertheless, by the end of March of this year 19 scheduled sites and monuments and two unscheduled monuments had suffered damage.

"It has not been possible to find the offenders. Moreover, legal action against Cadbury Schweppos would not have been appropriate as they had specified that none of the caskets containing eggs were hidden on sites of archaeological importance."

Ministers wrote to Sir Adrian Cadbury, chairman of Cadbury Schweppes, asking him to stop the competition, which he did, the report said.

The Ancient Monuments Board, which is now disbanded and whose activities are incorporated in the Historic Buildings and Monuments Commission, said it was grateful for Sir Adrian's sympathetic response, but it feared other companies might start similar competitions.

"It is, therefore, vital that sponsoring companies, advertising agencies and the public at large should be made aware of the irresponsibility and serious long-term effects of tempering with the heritage in this manner."

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

The reshaping of Bowater

Breaking a paper-thin alliance

Andrew Fisher and **William Hall** explain the inevitability of the de-merger

BOWATER has been suffering from an identity crisis. The British paper, packaging and building products group has been labouring under a structure wherein its North American newsprint activities have continually required cash to expand in the fast-moving U.S. market while, in the UK —where the company pulled out of newsprint after heavy losses—it has been endeavouring to diversify away from paper and return to sizeable profits.

Clearly, something had to give. The answer is a *demerger, which was kept* under wraps for many months, announced in March and will take effect on July 24 following this week's court hearings in London.

The reasons for the demerger and the prospects for the two demerged companies are set out in the accompanying articles. The decision was preceded by considerable management and corporate tension between the operations on both sides of the Atlantic.

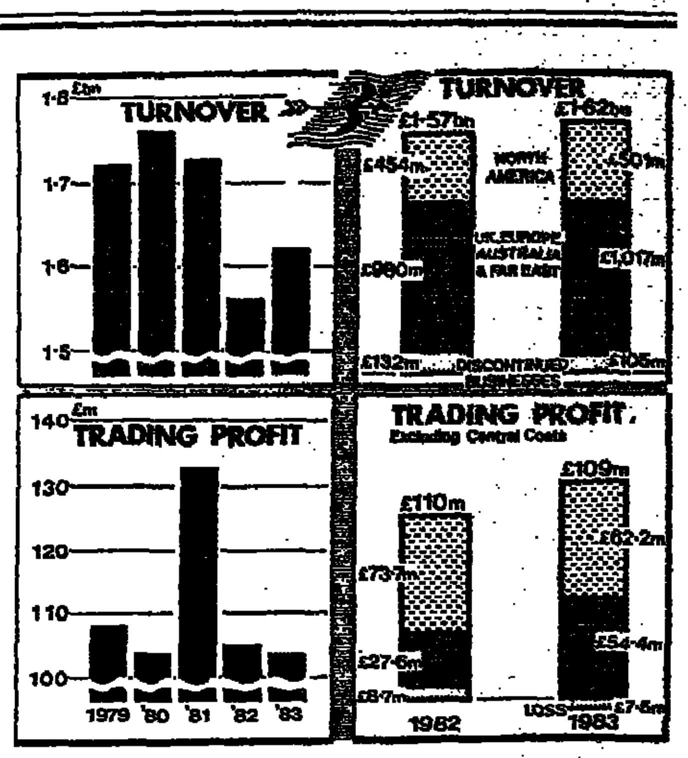
Now, Bowater Inc will continue to develop its major presence in U.S. newsprint, while also attempting to *diversify a little. It will be* helped by its new Wall Street share quotation, which will enable investors to assess it in the context of the big North American forest products sector.

***Bowater Industries, run from London,* will concentrate on speciality printing and other papers, packaging, tissues, in partnership with Scott Paper of the U.S., builders' merchants, *building* products, and its small but growing catering, trading and merchant banking activities in the Far East.**

The idea of the demerger is that the two separate management teams will now be able to build up their own activities and pursue their own corporate ambitions *without worrying how each will* affect the other. The U.S. company will have to raise its own cash, while the UK side will not need to be concerned about the demands of *the cash-hungry U.S. newsprint operation.*

That is the theory. In practice, as the two Bowater corporations set their courses for the future, things will not be quite so easy given the *need to tidy up loss-making* activities, consolidate newer businesses and search for acquisition to maintain *growth. It remains to be seen* which one will prove the most successful.

Ingram Lenton (top) and Tony Gammie: going their separate ways



Fundamental change of character

"IT'S NOT shoes and ships and sealing-wax, and *cabbages and kings*," says Dr Ingram Lenton, between sips of lemon tea. "It's meaningful groups like building, packaging, tissues, and paper."

Lenton, a solid, craggy-faced 57-year-old who will run the UK-based side of the demerged Bowater business, uses the words of Lewis Carroll to emphasise his view that Bowater Industries will not just be the rump left after taking away newsprint.

But he agrees that Bowater's character has changed fundamentally. First, the loss-making UK newsprint mill was shut down three years ago. Now the profitable U.S. newsprint activities are spinning off into a new life of their own.

"It isn't very like the Eric Bowater business at all," he reflects. "The Eric Bowater business was newsprint." It was under Sir Eric, who died in 1962, that the group moved first into Canada in the late 1930s and then into the southern U.S. in the 1950s.

Lenton has been managing director of the whole group. After the completion of the demerger next week, he will head a company with its headquarters in London and with interests spreading as far as the U.S., the Far East, and Australia.

These interests were basically developed after it became clear that the UK company's future did not lie in high-volume *commodity paper grades* like newsprint, where energy and raw material costs are high and vulnerable, like prices, to *fluctuations in the dollar/sterling* rate, while margins are fairly low.

Instead, it has moved further into *specialised paper products* (including tissues where it partners Scott Paper of the U.S.), developed its packaging arm, bought *builders'* products and merchanting companies, and expanded in freight services.

Some City analysts see all this as a bit of a hotch-potch. Lenton defends the mix of interests thus: "We have a nice spectrum of things that are mature, but in decent health, things that are in vigorous middle manhood, and those moving through adolescence into young manhood."

Last year, they turned in trading profits of £51.4m on *sales of just over £1bn against* a 1982 result of £25m on sales of £992m. Nearly half came from tissues—Andrex and *Scotties are the main brand* names—where the partnership with Scott also covers Australia.

Lenton puts tissues in the middle category, "past the exciting stage and in line for continued profits expansion and good cash generation." Between them, Bowater and Scott are spending £40m on new investment in tissues.

In the mature category, he includes papermaking and some packaging as areas capable of *providing profits and cash but* where further expansion is unlikely. The company still has three paper mills turning out 380,000 tonnes a year, mostly high quality printing papers.

The traumatic decision to close its Ellesmere Port newsprint mill in Cheshire was taken in late 1980. The mill produced 185,000 tonnes annually and had been losing some £6m a year. *Consolidated - Bathurst* of Canada has taken over the mill, but has linked it with pulp supplies from its home base.

Closing Ellesmere Port, says Lenton, meant that the trading connections between North America and the UK became very small, with virtually all newsprint produced in the U.S.

The sort of businesses Bowater Industries will be looking to for its future expansion are far removed from the commodities it moved into when merging with Ralli in 1972. By 1981 these activities, hit by volatile markets, particularly cotton, had been sold or *closed.* Lenton, a keen fell-walker, golfer, and fencer, reckons "you can only afford a certain amount of gambling; we're *doing ours in the Far* East. We see that as the most promising place to roll the dice."

In Singapore, Bowater has a mixed bag of interests in food and industrial agencies in such products as petrol pumps and locks. Its Australian activities, apart from tissues, comprise the supply and assembly of diesel and turbine engines, pumps and refrigeration equipment, and a much smaller stationery and paper business.

But it is the UK activities — "now moving into better and better shape" — which will provide the main profit impetus for some time to come and are expected by Lenton to increase their share of total profits. Hopes rest mostly on businesses in the paper, packaging, and building sectors.

Bowater's recent acquisitions have included Standard Check Book, which makes computer forms, and Camvac, which has one UK and two U.S. plants involved in metallising film, and paper for the packaging and electrical industries. Last year, it added another builders' merchant to the one bought in 1978. It also owns the Zenith double-glazing window company.

It will go for acquisitions in related areas, though not *immediately. Eventually, says* Lenton, both demerged parts of Bowater could each be as large as the current combined *business in five years.*

A. F.

Efficient low-cost producer

"THE LAST major investment we managed was a paper machine at Calhoun in 1979. That cost $100m and the next *one might be three times that* price. Frankly, with our structure, none of us could see how we were going to finance another major expansion," says Tony Gammie, the 49-year-old chief executive of Bowater Inc.

Gammie, a lifelong Bowater man who transferred from the UK to the U.S. in 1978, is the *only Briton in Bowater Inc's* senior management team, and he sees himself very much as the gamekeeper turned poacher.

"Running a capital intensive business in North America from a London equity base presented us with some pretty difficult problems," says Gammie. The most important of these were the higher dividend payout and tax rates reflecting the UK parentage of the group which meant that Bowater Inc had less money to spend on modernising its mills and going for some significant expansion.

Bowater Inc had been paying out typically 50 per cent of net earnings whereas in the U.S. a comparable company might be paying out only 30 per cent. In addition, the group's corporate tax rate was of the order of 50 per cent while competing U.S. paper companies were only paying 25 to 30 per cent.

"Here we were competing with the likes of Georgia Pacific, International Paper and Champion and they had a head start on us," says Gammie of the problems of the old Bowater structure. The U.S. company was not retaining enough and was not able to borrow as much as it wanted to match the expansion plans of some of its competitors.

"The structural imbalance had got so marked that something had to happen," says Gammie.

Notwithstanding its financial disadvantages, Bowater's U.S. operations are the envy of many of its U.S. rivals. "We do have very competitive mills and in our chosen fields of newsprint and market pulp, we believe we are low cost producers and highly efficient," says Gammie.

Comparisons in the U.S. paper industry are difficult since no two companies are alike. Nonetheless, Bowater's returns stand up well against the competition and support Gammie's belief that Bowater Inc is one of the most efficient companies in the U.S. paper industry. In 1983, the worst year in the last five for Bowater Inc, the U.S. company earned 11 per cent on its equity. This compares with 12.8 per cent for Kimberly-Clark and 11.4 per cent for Union Camp, two of the most highly regarded U.S. paper companies. By contrast St. Regis earned 3.6 per cent on its equity.

Over the last five years, Bowater Inc's performance looks better still. Its return on equity averaged 19.7 per cent which, on the basis of Forbes Magazine's annual ranking of industry performance, would put the company among the top three of the 24 forest products companies monitored annually. James River and Fort Howard Paper, both of which produce mainly higher margin speciality papers as opposed to Bowater's dependence on commodity grades were the only two companies to *show a better performance* over the five years.

Bowater's success in the U.S. where it is the number one newsprint manufacturer reflects its decision to concentrate on producing a handful of products very well while keeping its overheads down to a minimum—it got rid of its corporate jet during the last recession in the U.S. newsprint industry.

Bowater's Connecticut headquarters staff is limited to 55 and the group only employs another 4,400 at its two U.S. mills and its Nova Scotia mill. By comparison, Union Camp, which in terms of sales is just over twice Bowater's size, employs nearly four times as many.

The real powerhouse of Bowater's U.S. operations is its Calhoun mill located 700 miles south of its Connecticut headquarters in Tennessee. Started up in 1954, Calhoun is the biggest newsprint mill in North America, and with five machines capable of producing 725,000 *tons* of newsprint, accounts for close to two thirds of Bowater's newsprint capacity.

Newsprint is Bowater's bread and butter business. Over the last three years it accounted for 69 per cent of Bowater Inc's sales and 76 per cent of operating profits. Aside from the 196,000 tons per annum newsprint mill at Liverpool, Nova Scotia (in partnership with the Washington Post), over four fifths of Bowater's newsprint capacity is located in the southern states of the U.S. where it supplies 20 per cent of the market.

Bowater's biggest competitors are the Canadians and because of the southern location of its mills it has a $40 per ton or more price advantage on delivery alone.

Although Bowater Inc is regarded as one of the star performers in its field it is vulnerable on a number of fronts which could affect its long term future.

Its most obvious potential weakness is that it is far more dependent on the fortunes of *one product — newsprint—than* any of the other top dozen U.S. paper companies.

Gammie admits that the group is over-dependent on the fortunes of a single commodity and says that it does not want more than 65 per cent of its operating income to come from newsprint. However, its attempts to diversify so far have not been particularly impressive. It has started opening a string of "do-it-yourself" stores in Texas and moved into the production of computer stationery. But none of these ventures has proved to be a major money spinner so far.

A second area where Bowater is potentially vulnerable is in its limited wood resources. The group owns or leases *1.1m acres* of timberland in the south-eastern U.S. and another 754,634 acres in Nova Scotia. Last year only 28 per cent of the wood requirements of its two southern mills were supplied from Bowater's own timberlands. This compares with an average of around 50 per cent for U.S. paper companies generally. Bowater's long-term goal is to get up to this level by 1990, but in the interim it could *face problems if wood ever got* into tight supply.

Finally, it is by no means clear that Bowater Inc. will be allowed to survive as an independent entity over the long haul. Now that it has been "demerged" from its parent, the self-contained North American operations could make a juicy takeover target.

Gammie *admits that this* is a risk. "After Gulf Oil, who is safe?" he asks, "but if you choose to be *part of the capital*ist environment you have to accept those risks."

W. H.

TECHNOLOGY

EDITED BY ALAN CANE

SHEFFIELD DOCTORS PIPE LIGHT BEAMS TO DESTORY FAT DEPOSITS

Lasers unblock blood pathways

BY PETER MARSH

DOCTORS IN Sheffield are pioneering a novel medical technique in which laser light is piped through arteries just a few millimetres in diameter to clear away fatty deposits.

A team under Dr David Cumberland at the Northern General Hospital has treated five patients in this way, all suffering from narrow arteries in their legs.

Eventually, medical workers think they could extend the *treatment to clean out coronary* blood vessels, blockages in which are one cause of heart attacks. In either case, the technique *could extend the number* of patients suffering from clogged arteries who can be treated by other than surgical methods.

The work at Sheffield supplements a technique called balloon angioplasty that doctors have introduced over the past few years. In baloon angioplasty a tiny plastic envelope that fits inside the artery is inflated with fluid to about 10 atmospheres. It is swept through the blood channel to squeeze fatty *deposits into the lining of* the artery wall—the clinical equivalent to cleaning out a pipe with a piece of rag.

Dr Ann Procter and Dr David Cumberland at Sheffield's Northern General Hospital using lasers to treat a patient who suffers from blocked arteries. The laser softens the fatty *deposits and can be removed more effectively later with conventional treatment*

> Work in clogged blood vessels is just one aspect of lasers in medicine

But the balloon method can be *applied only* to a small proportion of patients who suffer from narrow arteries. It will not work if, for example, the fatty deposits are particularly solid or if they extend for more than a few centimetres of the blood vessel.

Crucially, the laser promises to "soften up" the scaly deposits to make it easier for the balloon to do its work. Ultimately, it may be possible for doctors to dispense with the balloon altogether and deal with clogged vessels simply by vapourising the offending plaque with high-powered laser light.

For people for whom angioplasty is unsuitable, the main alternative is by-pass surgery in which doctors construct a new channel to circumvent a blocked region. The technique can be applied equally to arteries in the legs or in the heart.

By-pass surgery is expensive and, for the patient, disruptive as it requires a lengthy spell in hospital. In contrast, treatment with a laser (which may or may not be followed by scouring with the balloon) can be done in an out-patients' clinic in a couple of hours.

In the work at Sheffield, one *of the few centres in the world* to have applied lasers to this aspect of medical work, doctors have co-operated with two U.S. research institutes, the Cleveland Clinic in Ohio and Stanford University Medical Centre *in California.*

The radiation from a 10W argon laser that costs about £55,000 is directed at the plaque along a fibre-optic waveguide. The optical fibre is threated into the person's body via an opening *in the groin.* Blocked arteries in the legs, while not as severe an ailment as clogged heart vessels, may eventually *cut off blood circulation and* cause an infection that requires an amputation.

In the case of the five patients treated in Sheffield doctors turned on the laser for no more than a few seconds. The application was followed by a standard scouring using a balloon. In this way doctors cleared arterial deposits that extended for anything up to 10 centimetres.

According to Dr Cumberland, it will be some time before lasers are applied to heart arteries. The blood channels in this region have diameters of the order of one millimetre compared with four to nine millimetres in the legs.

Thus doctors would need to take extra care in directing the laser, for example, to ensure that the light is not focused toward the walls of the vessel. Furthermore, an inadvertent puncture of a coronary artery would have particlarly severe consequences.

Other medical groups in Britain interested in applying lasers to narrow arteries are at the Western Infirmary Glasgow, and University College Hospital in London.

Work in clogged blood vessels constitutes just one example of the growing use of lasers in medical work. Over the past few years, the devices have become standard as replacements for a surgeon's knife, in gynaecological surgery for example. Doctors have also "welded" veins with lasers, in eye surgery for example, vapourised tumours and other lesions and removed skin features such as birth marks.

In a particularly successful application of lasers in hospitals, doctors at University College Hospital in London have built up several years' experience in treating patients with bleeding peptic ulcers.

An optical fibre is threaded through the mouth to the site of the ulcer. A blast of laser *light at about 80W is directed* for roughly half a second at this part of the body.

This dose of radiation shrinks the tissue, effectively sealing off blood vessels and stopping the bleeding. According to Dr Stephen Bown of the clinical laser unit at the hospital, the treatment has proved effective in reducing the need for emergency surgery.

This aspect of the work at the London hospital is financed by the Department of Health and Social Security. The group is also working on application of lasers to cardiology, plastic surgery and treatment of kidney stones and some kinds of cancers.

DATA NETWORKS

University shop window for industry

BRITISH UNIVERSITIES plan next year to start a data network that would provide a shop window for the technical products and services that they can offer to industry.

The network, the brainchild of a group called the University Directors of Industrial Liaison (UDIL), would be provided by a private company that would arrange for the installation of data terminals in the offices of commercial organisations around the country.

With the hardware, industrial enterprises could find out areas of research in which academic groups excell, together with details of how much they charge for consultancy. The data system would also provide information about specific products that university technical departments had developed which they felt were ripe for commercial development.

Another application would be to further the use that industry *makes of university premises* for events such as conferences. The network could give booking information and the dates on which premises are free.

According to Professor Derek Smith, chairman of UDIL, the network could be running by next spring. Suppliers of data services will be asked to provide ideas for the hardware by October. This is after a UDIL committee, which includes representatives from the Department of Trade and Industry, the Science and Engineering Research Council and the Confederation of British Industry, decides on the specifications for the network over the next couple of months.

Prof Smith, managing director of Queen Mary College Industrial Research in London, said that details of the services universities have to offer could be provided with an existing computer system such as Prestel. *Alternatively, whichever* company takes on the role of operating the network could install a new system that is built *expressly for this application.* Prof Smith said that the cost of the system had still to be finalised.

EICON SELLS WELL IN THE U.S.

High speed links

EICON RESEARCH, the Cambridge-based venture capital company, has successfully launched a high speed networking product in the U.S., with sales that have exceeded £0.5m within three months.

The company, started in 1979 with £750,000 from Castle Finance, the technology investment wing of Norwich Union, is headed by John Hartley, who was previously with Cambridge Consultants. The chairman is Dennis Taylor, ex-managing director of Hewlett Packard.

Known as Cachenet, the new networking system uses a central controller which polls the connected personal computers on the network—which can be a mixture of IBM, Apple 2E and NEC/APC machines.

Using a combination of Winchester disk and a 256k random access "cache" memory, the system can offer disk access times for up to 20 users that are typically eight to ten times faster "than any competing make."

Eicon says that most business applications are disk bound; that is, the time taken to do a typical job is dominated by the reading and writing of data to and from the mass storage. Winchesters are fast compared with floppy disks, but are still a factor of 1,000 slower than RAM.

Cachenet also allows a number of PCs to share one printer and printing carries on without interrupting users' work. Cachenet will accept "a virtually unlimited" amount of printer output. Multiple printing jobs up to a total of 300 pages can be queued and a second printer can be connected.

Cachenet allows single user software to support multiple users. Also, several operating systems can be resident on the Winchester.

A 10 megabyte hard disc unit *with cache RAM costs £2,050 and* each PC interface is £245. The network software is priced at £396. More on 0954 81825.

Office

Sharing information

A DEVICE from Digital Research called Starlink, to become available in the UK in September, enables four terminals or microcomputers from a variety of suppliers to be connected to an IBM personal computer, allowing them to share the PC's files, software and data.

Digital says Starlink presents a low cost alternative to the purchase of multiple computers. It will allow small businesses or departments within larger companies to gain access to the same files and programmes at the same time. Peripherals can be shared and the users can transfer data among the terminals.

For storage, either two double-sided floppy disk drives or one hard disk are needed, and 512 kilobytes of random access memory. The system has just become available in the U.S. at $1,650. More on 0635 35304.

Computers

Professional workstations

COMPUTER APPLICATION Consultants, the Ascot-based market research company, is conducting a study that should provide a basis for the design and marketing of professional workstations.

The study is designed to identify the key characteristics of managers in Europe, analyse their job functions, evaluate the computer resources already available to them, and investigate their needs in terms of workstations.

Available by subscription, the study is modular in form. The first part provides an overview of Europe and will evaluate user perceptions and requirements. The other modules investigate France, West Germany, the UK and Italy in detail.

The study will also identify purchasing strategies, enabling suppliers to target their marketing effectively. More on 0990 23377.

Storage

Memory circuits

INTEL IN the U.S. has just launched a range of 512 kbit ultraviolet erasable programmable read only memories. The components are designed for use with eight bit microprocessors and 16 bit microcontrollers.

The memory chips come in two speed version with access times for 250 or 300 nanoseconds. Both have low power consumption. More details from Intel in Santa Clara, California on 408 987 7602.

Paint

Sprayers

AN AIRLESS paint spraying unit, which is compact and runs on low power, has been introduced by Wagner Spraytech in Banbury. Called the Finish 104, the equipment is intended for use by small to medium sized metalworking companies. More details from the company on 0295 65353.

Software

Business machines

A RANGE of supermicro business computers is now on the UK market from C.Itoh Electronics. The CIES 680 series uses the 32/16 bit 68000 microprocessor, caters for up to 20 users at the top end of the range and offers several computer operating systems.

C.Itoh says that its latest system has a fourth generation application processor which helps users develop software in one tenth the time normally taken. At present most of the software has been developed for the U.S. market. More details from the company in London on 01-946 4960.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Theatre

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)

Jerry's Girls (Eisenhower): After so many revivals of Hello Dolly, singer Carol Channing and songwriter Jerry Herman have found a new package for this fruitful collaboration. (254 3670).

Oedipus Rex (Concert Hall): Three performances of the Greek National Theatre's controversial production by Minos Volanakis tries to translate the resonances and effect of the ancient text into modern Greek. After three performances starting on Thursday, the production moves to the Los Angeles Olympics Arts Festival. Kennedy Center (254 3670).

NEW YORK

Romeo and Juliet: Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Verona. All performances free with the encouragement of bringing a blanket and picnic. (877 6810).

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Glenn Close, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

TOKYO

Cats (Cats Theatre). The specially-built tent theatre, an excellent set, good dancing and Kabuki-derived movement all make the Japanese version worth seeing. Shiki Company, directed by Keita Asari. (320 1001).

Jesus Christ Superstar (Nissei Theatre). Despite superb lighting, and what has been acclaimed as this musical's best set anywhere, rather a static production in which the Japanese have gone to town on the superstar idea. Also Shiki Company. (320 4000).

Kabuki Grand Summer Performance (Kabuki-Za) starring virtuoso Ichikawa Ennosuke. Daytime programme includes spine-chilling ghost story (traditional fare for keeping cool in summer heat). Evening: a journey along the 53 stations of the Tokaido. Ennosuke performs 18 different roles and spectacular acrobatic feats. English programme notes, simultaneous earphone commentary. (541 3131).

No : performances at seven theatres, but Shunkan and Funa Benkei outdoor and by firelight (Takigi Noh) is the most attractive of the offerings. Yamashita Park, Yokohama, July 27 only (045 841 4759).

LONDON

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

Serjeant Musgrave's Dance (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (928 7616).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – he also has Noises Off and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case with Patricia Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (836 9988).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg *movie magic*, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Measure for Measure (Barbican): Juliet Stevenson as Isabell confirms her promise as the RSC's brightest young actress, a worthy successor to Ashcroft and Dench, in Adrian Noble's resplendent production. (628 8795).

Opera and Ballet

WEST GERMANY

Stuttgart, Württembergische Staatsoper: Der widerspenstigen Zähmung to music by Scarlatti, choreographed by John Cranko (Thurs, Fri).

Munich, Bayerische Staatsoper: Munich's annual opera festival, from July 4 to 31. The fourth week of performances opens with Wagner's early Rienzi with Cheril Studer und René Kollo. Der Rosenkavalier has Judith Beckmann, Brigitte Fassbänder (famous for her rendition of Octavian), and Barbara Bonney as Sophie. Arabella has Strauss specialists Marjana Lipovsek, Lucia Popp and Alfred Kuhn. Francesco Cilea's Adriana Lecouvreur is worth a visit with Margaret Price and Neil Shicoff. Le Nozze di Figaro is of respectable standard with Dolores Ziegler, Lucia Popp, and Hermann Prey.

PARIS

Paris Opéra: Tannhäuser, Werther and a Stravinsky evening are in the repertory this week (742 5750).

Opéra Comique-Salle Favart: Manon and a Stockhausen evening alternate this week. (296 0611).

ITALY

Rome: Terme di Caracalla (Teatro dell'Opera Company) Tosca conducted by Silvio Varviso with Sylvia Sass (Tosca) Giuseppe Giacomini (Cavaradossi) and Juan Pons (Scarpia) (essential to have seats near the stage – the space is huge and acoustics not good); Also Raymonda with choreography by Maia Plissetskaia (46 17 55); Cortile del Collegio Romano: Marriage of Figaro with the Rome Festival Orchestra conducted by Fritz Maraffi (345 28 450).

Verona: Arena di Verona: Tosca: A successful production conducted by Daniel Oren, with Shirley Verrett, Giacomo Aragall as Cavaradossi and Silvano Carroli as Scarpia. Aida, conducted by Peter Maag; Lombardi, conducted by Maurizio Arena with Katia Ricciarelli and Veriano Luchetti. Also features Ruggiero Raimondi. (28 151).

Opera in the Park

Marking the centenary of world premiere of Le Villi as well as the 60th anniversary of Puccini's death, the New York Grand Opera Company is putting on a double bill of Le Villi and Gianni Schicchi in a free fully-staged production in New York's Central Park (Thur). Conducted by the company's artistic director Vincent La Selva, the operas feature soprano Christina Andreou in her New York debut in Le Villi, which is being sung in Italian, and baritone Frank Guarrera in the title role in Gianni Schicchi, sung in English. The works in this 11th year of the company's free Central Park operas, are staged by James Lucas. Band Shell on the Mall (near 72nd St entrances).

LONDON

Coliseum: Dance Theatre of Harlem each night, with two performances on Saturday. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet has a new work by Michael Corder, with designs by Patrick Caulfield, as part of a triple bill. Manon, Romeo and The Sleeping Beauty are also in repertory. (240 1066).

Dominion Theatre (Tottenham Court Road): Festival Ballet season opens with Onegin, with Marcia Haydee and Richard Cragun showing how it should be done on opening night. (580 9562).

NEW YORK

New York City Opera (New York State Theater): The company's 40th season completes its week of performances of Candide, and continues with La Traviata, redirected by Frank Corsaro, conducted by Klaus Weise with Marianna Christos singing Violetta and Robert Grayson singing Alfredo. Lincoln Center (870 5570).

WASHINGTON

A Quiet Place/Trouble in Tahiti (Opera House): This full-length opera by Leonard Bernstein with libretto by Stephen Wadsworth takes Bernstein's 1952 Trouble in Tahiti, with its jazz-flavoured score, and adds 30 years' reflections on the darkening shadows over American suburbia. Ends July 28. Kennedy Center (254 3770).

Music

VIENNA

Stuttgart Philharmonic Orchestra conducted by Hans Zanotelli. Wagner and Beethoven (Tue); conducted by Janos Kulka with Hiro Kurosaki, violin. Uhl and Brahms (Thur). City Hall Arcade Court. (42 800).

Gottwaldov Chamber Orchestra: Handel, Bach, Mozart and Hindemith. Schönbrunn Palace (Wed).

Per Arte Duet Raimund Trimmel, cello, and Alfred Wittenberger, guitar. Bach, Handel and Villa-Lobos. (Thur). Bosendorfer Saal, Grafstarhemberg-Gasse 14. (65 66 51).

SALZBURG FESTIVAL

Macbeth opens the festival. Conducted by Riccardo Chailly with Ghena Dimitrova, Margarita Lilowa, Piero Cappuccilli and Nicolai Ghiaurov, and the Vienna Philharmonic, the Vienna State Opera choir and the Sofia National Opera Choir. Large Festival Hall (Thur). (0662/42 541).

PARIS

Marc-Antoine Charpentier – Medea (1693) presented in an integral concert version by Les Arts Florissants with Jill Feldman in the title role and Gilles Ragon in the role of Jason. The concert, lasting four hours, begins at 6.30pm, with additional chances to enter at 7.35pm and 9.10pm (Mon). Salle Pleyel.

Duo Bouchard-Morisset, piano four hands: One hour with Schubert (6.30pm Tue), Townhall of the 5th arrondissement, 21 Place du Pantheon.

Paul Oidette lute: English virginalists – Dowland, Wilder, Byrd, Holborn (Wed 6.30pm). Musee Carnavalet, 23 Rue Sevigne.

The Chilingirian Quartet: Haydn, Michel Philippot, Schubert (Thur 8.30pm). Saint-Severin Church, Metro Saint-Michel. All the above are part of the Paris Festival Estival (540 1483 Tue to Sat 10am till 7pm – 225 2255 Mon to Sat 11am till 7pm).

Paul Kuentz Choir and orchestra, Nicanor Zabaleta, harp: Handel, Boieldieu, Debussy, Vivaldi (Tue 9pm). Saint-Severin Church (633 8761).

LONDON

Chamber Orchestra of Europe conducted by Alexander Schneider with Tamas Vasary, piano. Dvorak, Schumann and Mozart. Barbican Hall (Mon). (236 2801).

Noye's Fludde with City of London Sinfonia and soloists conducted by Richard Hickox. St. Andrew's Church, Holborn Circus. (Tue and Wed, 6.30pm and 8.30pm). (236 2801)

Iona Brown, violin, Timothy Brown, horn and Ian Brown, piano. Beethoven, Franck and Brahms. Ten Trinity Square, EC3 (Tue). (236 2801).

Holst Singers and Guildhall String Ensemble and soloists conducted by Hilary Davan Wetton. Dankworth world premiere, Bliss and Durufle. Merchant Taylors Hall, Threadneedle Street. (236 2801). (Tue).

William Bennett, flute and Marisa Robles, harp. Baroque programme. Ten Trinity Square, EC3. (Wed). (236 2801).

Songmakers Almanac with RSC actor in Melodious Albion. The English poetic muse as inspiration to the great German-speaking song composers. Baltic Exchange, St. Mary Axe, EC3 (Wed). (236 2801).

London Sinfonietta with Felicity Palmer, mezzo-soprano. Beethoven, Schubert, Bach, Rossini and Mozart. Drapers Hall, Throgmorton Street, EC2. (Thur). (236 2801).

NEW YORK

New York Philharmonic: Free open-air concerts in various New York city parks. Opens its 20th season with James DePreist conducting. Barber, Haydn, Tchaikovsky. Great Lawn, Central Park (Tue) & Crotona Park, Queens (Wed). (877 2011).

New York Choral Society (Cami Hall): Midway through the 24th Summer of Sings, Owen Gould conducts the Wee Village Chorale in a programme of Handel and Haydn (Tue) while Harold Rosenbaum conducts the Canticulum Novum Singers in a programme of Mozart and Haydn (Thur). 57th & 7th Av (873 0096).

CHICAGO

Ravinia Festival: Beaux Arts Trio, Isidore Cohen, violin, Bernard Greenhouse cello, Menahem Pressler, piano. All Beethoven programmes (Mon, Tue); Chicago Symphony, Kurt Masur conducting, Isola Jones mezzo-soprano, Werner Klemperer narrator. All-Beethoven programme (Thur). Highland Park (728 4642).

Exhibitions

TOKYO

Kabuki Actors in Ukiyo-Eprints: Famous actors from the 17th – 19th century by 19th century artist Toyohara Kunichika. The affinity between theatre and woodblock prints helped document the history of Kabuki. Actor prints recall its personality cult. Riccar Art Museum. Ends July 27.

Chinese ceramic masterpieces: Continuing its series on ancient art of which the Gandhara was the most recent, the Seibu Museum of Art is exhibiting 96 important ceramic pieces (Shanghai Art Museum) from 5,000 years ago through succeeding dynasties. Seibu Department Store, Ikebukuro. Ends Sept 5.

Zeichnungen Düsseldorfer Kunstler: Drawings of 27 German artists, including Joseph Beuys, are assembled in a rather mediocre and dated exhibition. It is, however, worthwhile to visit the architecturally interesting museum and enjoy original background music by a new Japanese group, Striped House Museum, Roppongi. Ends July 28.

NEW YORK

Museum of Modern Art: After being virtually closed for three years of renovation, the museum has a chance to show the depth and breadth of its considerable collection. No longer is it a boutique of the modern classics but more like a department store, with double its previous exhibition space and room for such examples of modern design as a whole helicopter.

Guggenheim Museum: 85 sculptures and works on paper from the permanent collection cover Degas to Calder, and include Arp, Brancusi, Giacometti, Modigliani, Moore and Miro. Ends Sept 9.

WASHINGTON

Mark Rothko (National Gallery): 88 works on paper by a leading contemporary American artist begin a national tour with this exhibit in the East Building. The highlights are vivid watercolours from 1968 and 1969, a period when Rothko's canvases were already tinged with the sombre browns, blacks and greys that anticipated his suicide in 1970. Ends August 5.

CHICAGO

Museum of Contemporary Art: Italian sculptor Giuseppe Penone concentrates on the interaction of man and nature by, for instance, growing potatoes in moulds of his sensory organs and then casting the agglomeration in bronze. The artist will create a 30 foot drawing on one wall of the museum that will be erased at the end of the show. Ends Aug 6.

LONDON

The Tate Gallery: The Hard-Won Image – this summer's sequel to last year's New Art – is a personal survey by Richard Morphet, of the Tate, of British figurative painting and sculpture from the late 1950s to the present. It is a useful and even important show, for it makes the point almost in spite of itself that figurative art, far from being revived in recent years, never actually went away. The strength in depth of our figurative artists in this period is indeed gratifying. Bacon and Moore are the presiding masters; Hockney, Kitaj (honorary Englishman as it were), Andrews, Blake all predictably, and rightly included; Symons, Greenham, Collins, Weight, Harman and Lessore brought into deserved prominence; and the stars are Uglow, Freud, Auerbach, and Kossoff most of all. Ends September 9.

PARIS

Charles Schneider – an artist with glass and a magician with colours – began with Art Nouveau and its floral themes to become a pioneer of Art Deco with its geometrical design in his vases, goblets and lamps in rich hues. Louvre des Antiquaires, 2 Place Palais-Royal, 11am – 7pm. Closed Mon. Ends Sept 16.

Klimt, Kokoschka, Schiele – 90 drawings and watercolours by the three masters of the "secession" movement whose eroticism or anguished violence scandalised Imperial Vienna at the beginning of the century. Hotel de Ville, Salle Saint-Jean 11am-7pm, closed Tue, ends Aug 12 (274 4068).

WEST GERMANY

Hanover, Kestner Museum, Trammplatz 3: Egyptian art from 4,000 BC to 1,000 AD is documented by 200 sculptures, objects and photographs. Ends Aug 5.

Frankfurt, Städel, 63 Schaumainkai: Ulrich Rückriem, a contemporary German sculptor, is exhibiting eight stone pieces from the last two years most never shown before. Ends Aug 19.

Munich, Villa Stuck, 60 Prinzregentenstrasse: A survey of the work of Oskar Schlemmer, the German Bauhaus teacher (1888 to 1943). Another exhibition is dedicated to Albert Welti, the Swiss painter (1862 to 1912), concentrating on one of his major paintings and preparatory drawings. Both end Aug. 19.

Berlin, Brücke Museum, 9 Bussardsteig: "1984 – a year with Karl Schmidt-Rottluff" has 150 water colours from the expressionist painter's estate and works from other museums. Ends August 26.

Hamburg, Batig, 39 Foyer Esplanade: Also at the occasion of Schmidt-Rottluff's 100th anniversary 85 wood carvings, etchings and lithographs by the artist are shown here. Ends Aug 10.

Essen, Folkwang Museum, 41 Goethestrasse 41: The touring exhibition has 80 pastels from between 1974 and 1984 by Francesco Clemente, the Italian painter. Ends Aug 12.

ITALY

Venice Biennale: The Venice Biennale is up and running for the summer in the Giardini di Castello and at various places around La Serenissima, the usual melange of the fascinating, the excellent and the frightful from what the present has to offer across the entire range of contemporary art, with the spectacular bonus at the Palazzo Grassi of the most comprehensive examination one could wish for of the work of all kinds that came out of the Vienna Secession. Out of the chaos in the gardens come the large central exhibitions: Arte, Ambiente, Scena; and Arte allo Specchio: two sprawling but more coherent shows than usual that focus especially upon current preoccupations with art historical and mythological reference. Younger blood is consigned to Aperto 84 that fills the old Salt Warehouses on the Zattere. And there are, of course, the national pavilions scattered through the gardens, with their particular offerings: Howard Hodgkin for Great Britain, Penck and Baumgarten for West Germany, Clave for Spain and Dubuffet for France outstanding. Ends Sept 30.

Rome: Pinacoteca Capitolina, Campidoglio: Egon Schiele: 1890–1918: a retrospective exhibition of more than 200 works, including those shown in Milan this spring. Schiele's metamorphosis during a very short life is startling. From the cool and accomplished charcoal portraits of 1907, through a series of amusing fashion-plate studies in watercolour and drawings which recall Toulouse-Lautrec, to the anguish of the sad, contorted nudes of his last seven years. Until August 5.

VIENNA

Drawings of Gustav Klimt: This exhibition shows an unusual aspect of Klimt. Instead of the more well known heavily gilded and decorated canvasses, here are pencil sketches and monochrome lithographs. They include illustrations from the journal of Vienna's Secession Movement in which Klimt broke new ground. Best of all are his spare and casual portraits of women in a variety of moods; impassive but for the tensely clasped fingers or relaxed and sensual. A delicate profile of his sister and a portrait of his sweet-faced daughter strike a more homely note. All Klimt's subjects are treated with the respect and dignity that receives in his larger and more opulent works which many of the drawings here prefigure and which can be seen elsewhere in his native city. *This exhibition is a marvellous accompaniment. At the Vienna City Historical Museum, Karlsplatz. Until 16 September.*

Japan in Vienna: For the second time Vienna has invited Japanese artist to introduce the Japanese and visitors to the music, folklore and traditional art of Japan. Ballet, Kabuki Theatre, historic kimonos and the tea ceremony can be seen from July 21 to July 29. (43 16 08).

NETHERLANDS

Stedelijk Museum, Amsterdam. Eedy de Wilde, retiring soon as director of this fine museum of modern art, has selected a final summer exhibition concentrating on acquisitions he has made in the last 21 years. Until August.

BRUSSELS

Belgian Medicine from the Middle Ages to the 19th century. Kredietbank. Ends Aug 5.

Cinema/Annalena McAfee

Escape from Planet of the Japes

Supergirl, directed by Jeannot Szwarc
Laughterhouse, directed by Richard Eyre
BMX Bandits, directed by Brian Trenchard-Smith
El Norte, directed by Gregory Nava

In the week following Geraldine Ferraro's selection as Democratic vice-presidential candidate, you'll believe a woman can fly. The timing is of course, purely coincidental. *Supergirl* is simply another idea whose hour has come. The blue-and-red robed defender of the free now wears a skirt and sports luxurient long blonde hair. Fears that the all-American superhero has taken up cross dressing are allayed when we learn that the girl with the cheerleader's looks and the extra-terrestrial background is actually Superman's first cousin.

We meet her first in the honeycombe-like structure of her planet Argo, where everyone wears a chiffon negligee, sports an enlightened smile and speaks Sci-fi Shakespearean. No wonder she wants to leave.

Her departure is facilitated when wayward scientist Zaltar (Peter O'Toole) loses the city's omegahedron power source. He is exiled to the gloomy Phantom Zone where we later find him living in a cave and enthusiastically drowning his sorrows with the Fifth Dimensional *equivalent of booch.*

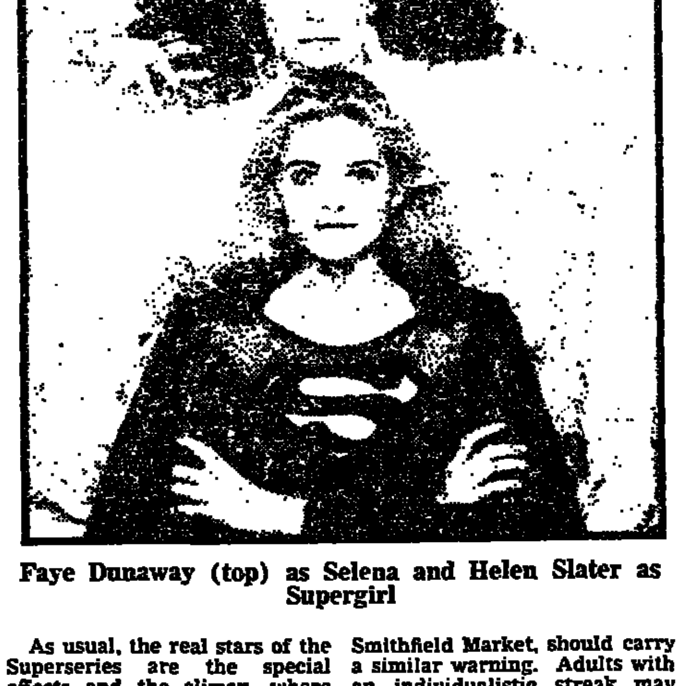
Supergirl, meanwhile, played by the winsome Helen Slater, embarks on a mission through space and time to find the missing power source, which resembles a large, luminescent golf ball.

Once the scene setting and Argo glossary are dispensed with and the journey is over (through what appears to be one of those kitsch lamps containing floating blobs of oil) the film begins to improve. Faye Dunaway gamely camps it up as Selena, the bad-but-beautiful witch who dresses for breakfast as if for an appearance on Talk of the Town.

She discovers the omegahedron when it drops out of the sky into her soup: one of many coincidences which move the plot on a little too conveniently.

Supergirl adopts the earthly identity of an ingenuous schoolgirl, Linda Lee. We watch her try on her bra over her blazer, smell her first flower, taste her first kiss and beat up her first rapist. There is a gutsy performance from Maureen Teefy as Lucy Lane, "Linda's" roommate and—coincidentally—the young sister of Superman's girlfriend Lois.

Hart Bochner gives a good-humoured performance as Ethan, the be-jeaned, gum-chewing love interest. Seduced by the wicked Selena he is dressed in Englebert Humperdinck velvets with Concorde collars and fed on a diet of popcorn and constant TV: the cruellest of fates.



Faye Dunaway (top) as Selena and Helen Slater as Supergirl

As usual, the real stars of the Superseries are the special effects and the climax, where Selena unleashes the forces of darkness against a defiant Supergirl, is noisily spectacular. The director is Jeannot Szwarc.

Did I detect a Reaganite message? "Confront your demons and find your destiny in the maelstrom," Zaltar tells us.

More stunts, but of a more prosaic variety, feature in *BMX Bandits* an Australian film directed by Brian Trenchard-Smith and aimed at young aficionados of Bicycle Motor-Cross. The script and plot seemed to be suffering from a severe slow puncture.

Two charmless male adolescents pedal furiously through shopping precincts looking for action. They team up with a pretty female fellow BMXer who is every bit as good as the boys at wheelies (or rather her stunt man is as good as their stunt man) and together they ride off in search of some quick cash to buy the multi-coloured fashion accessories deemed necessary for their sport.

Their quest brings them into contact with some ruthless villains and the climax is an absurd chase in which the youngsters are pursued on pushbikes by the bad guys' Cadillac.

Guess who comes off worst? Essential viewing for BMX enthusiasts. Parents obliged to see this film are advised to take a Sony Walkman and a hip flask.

I was glad to see *BMX Bandits* carried a note warning children "do not imitate these stunts, they can be dangerous."

Perhaps *Laughterhouse*, which tells the story of a single-minded farmer who marches a flock of geese 200 miles to Smithfield Market, should carry a similar warning. Adults with an individualistic streak may be tempted: it looks hard, but ultimately rewarding, work, attracting national celebrity and bringing about a reconciliation with the wife. *Plays havoc* with the traffic though.

From this unlikely plot, the director, Richard Eyre, has wrought a quirky, wryly funny film in the Ealing Comedy mould. Powerful performances from Ian Holm as the farmer stubbornly bypassing a Transport Union boycott, and Penelope Wilton, as his embattled wife, add substance. Stephanie Tague gives a delightful performance as their weepy and affectionate adolescent daughter.

Richard Hope and Bill Owen play the farmworkers who accompany them on their long march through the East Anglian countryside and the score has a tangy Country and Western feel.

The film is a celebration of British eccentricity and, in its comic portrayal of tabloid TV's attempt to manipulate the farmer's story, says far more about the media than all of Eyre's ponderous, po-faced *Ploughman's Lunch*.

*

It depends where you start from. The north — *El Norte* — isn't the north to many people. It turns out to be southern California. But if you start from Guatemala and have to go through Mexico, it is the north both geographically and culturally.

Mexico is rather glossed over in this movie. I was once be-Gregory Nava. I was once befriended by the Tass correspondent in Mexico City who was having a nervous breakdown because he had been sent there to find out how Mexican politics worked and couldn't make head nor tail of it.

The point is that Mexico is a special case. It is considered enormously powerful by its smaller central American neighbours, but is dwarfed by the U.S. on the other side. It has many aspects of the north, without the best of liberal capitalism.

To pass from Guatemala to the States is a social gradation. Guatemala is poor and Indian. Mexico is Spanish and relatively rich. America is fabulous. Enrique and Rosa, the brother and sister seeking to escape from Guatemala's internal strife, have first to pretend that they are Mexican in order to have any chance of reaching California; even then they have to crawl in through a disused sewer.

They arrive in the most appalling slum of a motel, but to them it seems a palace. There is actually a flush toilet which appears as one of the wonders of modern technology. Only in American glossy magazines have they seen such a thing before. It is a dream come true.

Enrique's father has said once: "For the rich all peasants are just a pair of arms to do their work." But Enrique, dressed as a waiter in a smart Los Angeles restaurant, begins to doubt it. He has become upwardly mobile.

Rosa, employed as a maid in a Beverly Hills house, is so bamboozled by a modern washing machine, that she chooses to do the washing by hand.

In a way it all ends in tears. Rosa dies, having been infected by the rat in the sewer. Enrique is still an illegal immigrant, making a living by digging a ditch. But his thoughts are going back to Guatemala.

There is a dreadful recurrent image of the full moon over the Guatemalan hills, sometimes equated with the rotundity of the military drum of the Guatemalan soldiers. It looks as if Enrique is thinking that he should go home and join the guerrillas.

Yet this is not a political movie in the normal sense. There is no message, except about contrasts. Even then the north often comes out best. When Rosa's illness becomes known, she is given the full modern technological medical treatment despite being an illegal entrant.

In the language class the person teaching the Spanish to speak English is actually a Vietnamese American—a point which would certainly not be lost on an American audience.

The Guatemalan sequences were shot in Mexico, but they catch superbly the atmosphere of the Guatemalan hills. Is it mist or is it gunshot that seems always to be drifting across? Even your guide won't tell you.

It was clever to make Enrique and Rosa brother and sister rather than lovers. It adds to the innocence. David Villalpando as Enrique has a marvellously haunting face, even if it spends *too much time looking* at the moon.

MALCOLM RUTHERFORD

The Boy Friend

Michael Coveney

Sandy Wilson's hardy perennial musical, now celebrating its 30th year at the Old Vic passes the sternest tests you can make of a parody: it exists in its own right and very largely oni ts own terms as a superb composition, an affectionate tribute to the 1920s and a wittily inventive exploration of the period's musical styles and rhythms.

For much of Christopher Hewett's revival I remained enchanted. While unhappily comparing it with memories of the perfect revival at the Comedy in 1967, there were innovations, *Mon Dieu*, to contemplate. The girls arrive in the first act drawing room in a cut-out car. The drawing room itself (designs by Robin Don) has more than a hint of *conservatoire* about it.

In the pit the piano is still correctly predominant, but the orchestrations of Ray Cook and Chris Walker add perfectly acceptable oomph to "Won't You Charleston With Me?" suggest interestingly variant harmonisations when the quartet of matelots obligingly materialises for the title number.

The costumes of Johan Engels (no relation, we trust) have all the waistlines in the correct places. The bathing gear for Act 2 is delightful and the newly definitive Madame Dubonnet of Anna Quayle meets a deserved apotheosis as an odalisque of the *plage* in salmon socks, russet silk and bandanna, and dangerously twirling umbrella.

Hats and hairstyles are pleasing, too, and the audience were relieved to hear that Tony's disappearance from Oxford "in the middle of the Hilary Term" was still a scandal to be reckoned with. His titled parents are successfully reappropriated by Peter Bayliss and Paddie O'Neill. The former presents a peppery, crudely lascivious Lord Brockhurst, the latter a billowing version of the old Queen Mary coming into dock. The portraits are more fulsome than I recall in past interpretations. The same applies to Derek Waring's Percival Browne, a suave millionaire travelling incognito until hooked by Miss Quayle on the nostalia of an old fling (note how she *listens* to his handshake before the penny drops).

What, then, goes wrong? On the *plage*, the eleborations of the score become obtrusive tinkerings, echoes of the "Marseillaise" and Offenbach's "Can-Can" in "It's Nicer in Nice."

Worse is to follow in the third act, the carnival scene on the hotel *terrasse*, which I have never seen so charmlessly done. The "Riviera" number has been given a thorough going over, all the "Black Bottom" syncopations jettisoned, the melodic drive and rhythmic build—with its *pianissimo* internal contrast section — quite abandoned. Then the speciality tango act is ruined and the show drives on to a relentless rather than inevitable finale.

There is a notably spirited Maisie from Linda-Mae Brewer and a cheerfully squat Bobby van Husen from Bob Newent. The lead young lovers whose innate sense of breeding allows them to overcome the reciprocal deceptions of impoverishment are taken by Simon Green and Jane Wellman.

Lucio Silla/La Scala, Milan

William Weaver

There was a time, within living memory, when productions of Mozart operas in Italy were a rarity (I myself attended the San Carlo premiere of *Cosi fan tutte*); and, not many years ago, when *La clemenza di Tito* was given at the Piccola Scala, a prominent critic took the theatre to task for mounting such an unimportant, minor work.

All that is now totally changed. At the Teatro Olimpico in Vicenza, three adolescent—or even pre-adolescent—works are currently being given (*Apollo et Hyacinthus*, *Il sogno di Scipione*, and *Mitridate re di Ponto*); and at La Scala—the big hall, not the Piccola—there has been a carefully-prepared, much-heralded staging of *Lucio Silla*, which the 16-year-old Mozart wrote for Milan.

Its first production here, at the Regio-Ducal Teatro in 1773, was not a great success, and until last week, *Lucio Silla* had not been given in Italy since. Thus the anicipation was justified, and so was the care lavished on the casting and rehearsing.

The menace of boredom hung like a Damocles' sword over the performance. The producer, Patrice Chéreau (making his Scala debut), was clearly determined to dispel this threat. On the static, opera-seria text, he imposed a dramatic, even romantic, and inappropriate staging. Giunia, Electra-like, was hyperkinetic, sprawling on the floor, brushing her ill-kempt hair from her eyes, wildly pacing. Cecilio and Cinna (both trouser-roles) had a tendency to throw themselves to the ground, too, or to prance furiously towards no defined goal and for no specific purpose. Lucio Silla, as played by Anthony Rolfe Johnson, belonged to the Charles Laughton school of Roman rulers, gouting and sulking.

The set by Richard Peduzzi, was a greyish wall, apparently of slate, with sections that could move back to make doors or forward to make room dividers.

Again, the set's movements seemed as irrational as the singers'. To increase the visual monotony, Chéreau decided to make all the singers, chorus included, wear black. The otherwise handsome 18th century costumes by Jacques Schmidt became a uniform.

Musically, everything was much more enjoyable. Much of the score is in a conventional 18th century vein, but every now and then the brilliance of the future Mozart gleams forth, most often in the role of Giunia, sung on opening night by Lella Cuberli. The coloratura passages are fiendish, and it cannot be said that the lovely young soprano sounded at ease in them; but in the lyrical scenes (notably the lament at her father's tomb), she was deeply affecting. The scenes with her lover Cecilio (Ann Murray) were also cogently-shaped, and Miss Murray sang with passion, accuracy, and—when required—sweetness. As Cinna, Mariana Nicolesco was *also accurate and, in agility, impressive*. Christine Barbaux was a crytalline Celia; and Rolfe Johnson, an effective Silla (though this is the title role, it is not the most important

La Scala had bravely scheduled nine performances of the work; their boldness has paid off and there will surely be full houses. One critic has hailed the production as "the event of the year," and his colleagues have echoed this enthusiasm. Even if one cannot totally share it the return of the young Mozart to Milan is a positive step. Next year, rumour has it, the house is planning *Don Giovanni*.

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Friday July 20 1984

A good choice for Brussels

AS France's minister of finance, Jacques Delors has played a crucial role in reversing the post-electoral extravagances of the socialist government, to the point where he became the personal symbol and virtual guarantor of responsible economic management. It is therefore rather surprising, but doubly encouraging, that the French authorities felt he could be released for a new job, as president of the European Commission in Brussels. It is an example which other Community governments, starting with the British, would do well to ponder.

M Delors will take to Brussels some valuable qualities, political, personal and professional. He has been a successful minister in good standing with the Elysee, and he has long been a convinced European; his presence on the top floor of the Berlaymont building will tend to reinforce President Mitterrand's desire to see the European enterprise move into a new and more dynamic phase. His courage and determination in maintaining an unpopular policy of austerity should be welcome in an institution which has too often seemed to cower before the governments of the member states. And his professional experience of economic management will be useful, both in the micro-economic administration of the Community's own spending policies, and in addressing Europe's macro-economic problems of low growth and high unemployment.

Serious loss

Reservations can be made about the choice, however, and especially about the way it was made. In the first place, it is not obviously an advantage to have as president a man who has never worked in the Commission before; it is a curious institution on the frontier between politics and technocracy, and it will take some getting used to.

Second, the choice of Delors will add to the shake-up in the Commission. Viscount Etienne Davignon, who has made a significant reputation in the Commission with his work on the industry portfolio, was put forward as the Belgian candidate for the presidency; having failed to get the top job, it would appear that he is likely to leave the Commission altogether, and that would be a serious loss. The Commission does not have so many men of stature and experience that it can afford to lose any of them with equanimity.

Finally, it looks rather as if the choice of Delors was made in a back-stairs deal between France, Germany and Britain; some people may see it as a strengthening of the Franco-German axis. One of the new president's priorities must be to achieve some balance between the locomotive effect of Franco-German enthusiasm for forward movement, and the collective interests of all the member states, including the smaller countries.

Nevertheless, Jacques Delors was obviously too strong a candidate to refuse. The pity is that he will have little say in the choice of his future colleagues. In the autumn he will have formal consultations with member governments, but he cannot really hope to influence their nominations, nor even determine the allocation of portfolios.

Personal stature

Some would argue that the Commission president should have a free hand in choosing his fellow commissioners. Others believe it is symptomatic of the long years of stagnation and mistrust that, after more than a quarter of a century, member governments still regard commissioners as, in some large degree, national representatives and therefore national appointments.

What is beyond dispute is that in all past Commissions personal statutre and ability have proved more important than nationality: Fin Gundelach was a Dane, Sicco Mansholt a Dutchman, Viscount Davignon a Belgian. For the small countries, the Community has offered an expansion of horizons, whereas the bigger countries have tended to send people with only modest expectations at home.

France is the exception. Raymond Barre returned to Paris to become prime minister, Claude Cheysson to become foreign minister, and Jacques Delors too may well have his political neak ahead of him. Mrs Thatcher should make sure that Britain's commissioners are people of top calibre on a rising career path.

Israel needs a new team

ON ITS economic record alone, Israel's ruling Likud coalition deserves to be roundly defeated in Monday's general election. It has presided over seven years of almost unremitting economic deterioration, which, if unchecked, could ultimately begin to erode Israel's freedom of international action and its hard-won military superiority in the Middle East.

The economic facts speak for themselves. Since Likud's 1977 election victory inflation has risen from less than 30 per cent to an annual rate of 400 per cent. Foreign debt has nearly tripled to around $24bn, which in percapita terms is roughly seven times greater than that of Brazil. The current account deficit has virtually doubled and now represents about 25 per cent of GNP. Consumption has soared, while the growth rate of the economy has averaged less than 2 per cent.

All the par ies fighting the election realise that such profligacy cannot continue. While there is no reason to doubt the depth of American commitmen to Israel, even Congress may begin to flinch at payments which threaten soon to absorb one third of its to al overseas aid programme. And any hint of U.S. hesitation over further aid increases would quickly have an impact on Israel's capacity to arrange short-term commercial credi .

Vulnerability

With such a bleak economic record, Likud should be trailing the Labour opposition by a mile in the opinion polls. However the gap is not so great that the chance of Likud being able to pu together a new coalition can be ruled out.

The electorate does not appear convinced that Labour's show of unity is more than paper thin. The leadership qualities of Mr Shimon Peres have been no more appealing in his campaign than theye were on previous occasions. Labour is also vulnerable among a section of the electorate to accusations that it is "soft" on vital security isues and he future of the occupied West Bank.

Certainly it is on foreign policy that Likud can claim to have scored its greatest successes. The often vilified Menahem Begin was, af er all, the Prime Minister who made peace with Egypt. He can also claim to be the man who broke the military back of the Palestine Liberation Organisation, albeit at a high continuing cost to the peoples of Israel and Lebanon.

Mr Yitzak Shamir, Mr Begin's successor as Prime Minister, is as committed to the retention of the West Bank and Gaza and he costly programme of settlement building which virtually ensures that no Arab leader will move to the negotiating table. Furthermore it involves continued Israeli subjuga ion of 1.3m resentful Palestinians; some Jewish academics consider this to be a substantially greater threat to the S ate of Israel and its democratic traditions than Mr Yasser Arafat and the PLO.

Peace initiative

Labour has been tradi ionally more flexible on the West Bank issue and, unlike Likud, is prepared to trade at least some territory for guaranteed peace. It did not immedia ely reject President Reagan's 1982 proposals which remain the most realistic basis on which negotiations could one day begin.

King Hussein of Jordan is said to be ready to become involved again in a U.S.-sponsored peace initiative, provided Labour heads the next Israeli government. Most favoured planning at the State Department is pinned to the hope that Mr Peres will be the next Prime Minister.

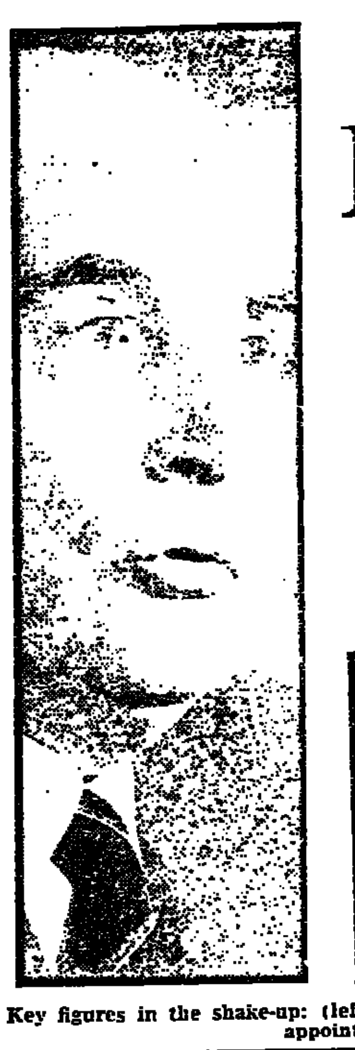
But Israeli elections are rarely clearcut and no party has ever won an overall majority in the 120-seat Knesset. Labour will need to gather over 50 of those seats in order to form a government not threatened with coalition defections every time it proposes politically sensitive policies.

Whichever party wins, and the victor may not be apparent for days if not weeks, it will face harsh economic decisions. Its task will be marginally easier if it is not prey to the whims of its smaller coalition partners. A decisive win for Labour would be in the best interests of Israel and the Middle East.

The new French Cabinet

Mitterrand's re-shuffle gamble

By David Housego in Paris



Key figures in the shake-up: (left to right) President Mitterrand; Pierre Joxe, the new Interior Minister; Pierre Beregovoy, appointed Finance Minister; and Laurent Fabius, the new Prime Minister

SINCE THE humiliating defeat of the French Left in last month's European elections, there has been only one major political question facing President Mitterrand—how to avoid a similar reversal in the 1986 legislative elections which could cut short his seven-year Presidency.

The new ministerial team under Prime Minister Laurent Fabius, announced yesterday, might seem an odd choice for avoiding the road to disaster.

On the one hand, M Mitterrand has cut himself free from the Communists, who have been partners in Government ever since the Socialists came to power in 1981. Yet the Communists took 11 per cent of the 32 per cent of the vote that both parties combined gathered in the European elections.

On the otehr hand, the composition of the new cabinet shows on sign of the opening to the Centre that M Mitterrand had been expected to make in an attempt to enlarge his voting support.

It had become imperative for President Mitterrand to regain the political momentum that was slipping from him and to restore belief in his authority, edoded by the defeat of the left in the European elections. The right-wing opposition parties had been mounting an increasingly belligerent attack, saying the left had lost its legitimacy because it only represented one third of the vote.

M Mitterrand decided to move fast. Firstly he surprised all last week by dropping the controversial private education reform, which had sent a million people demonstrating in the streets of Paris last month and he proposed an extension of the use of referendums on key issues involving personal liberties.

The Government changes that have now followed contain large risks—particularly with the departure of the Communists.

The Communists were given the choice of swallowing the tough expenditure cuts being written into the 1985 Budget and further redundancies as a result of industrial restructuring.

They could have opted for flexibility and for modernising the party along the lines being pursued by the pragmatic Italian Communist movement. They have chosen instead to retreat to the working class areas of the major cities which have been the traditional base of their support and with which they are at most ease. The crucial factor in their decision was the belief, enunciated yesterday by M Pierre Juquin, the party spokesman, that continuing with the Government's economic policies will result in the defeat of the left in 1986.

In place of the Communist Ministers, M Mitterrand and M Fabius have decided to reinforce the presence of the Socialist left in the cabinet. M Jean-Pierre Chevenement, the former Industry Minister, takes over the post of Minister of Education. As a member of the radical CERES group, his appointment will be bad news for the Catholic education lobby which has been rejoicing over its victory in getting M Mitterrand to withdraw the education bill.

M Chevenement left the Government in March 1983 in opposition to the austerity measures proposed by M Jacques Delors, the former Finance Minister. Since then, be has kept up a barrage of criticism of the Government's economic policies. Even recently he was still advocating that France pull out of the European Monetary System, carry out a competitive devaluation of the franc, and reflate the economy to reduce the number of jobless. M Chevenement has always claimed that he would one day be back in the cabinet—a boast that is now surprisingly vindicated.

The other surprise entry to the Government is that of M Pierre Joxe, also a former Minister of Industry and the left wing leader of the Socialist Parliamentary group in the National Assembly. As the new Minister of Interior he will have the job of drafting a reform of the voting system to give more proportional representation. The left in part hopes that this will help to minimise its losses in 1986.

M Joxe has also been a forthright critic of M Delors policies—indeed his parliamentary colleagues took him to task after the European elections for indirectly contributing to the scale of the defeat.

The unexpected introduction of M Joxe and M Chevenement into the cabinet is intended to reassure the faithful on the left that with the departure of the Communists, the left's traditional goals of bringing down the unemployment rate and raising living standards have not been sacrificed. At the same time, it is intended to prevent the CERES group and the radical left from peeling away like the Communists.

Apart from M Fabius and M Hubert Curien, the virtually unknown Minister of Research and Technology there are no new young faces or non-political appointments that might have attracted votes from centrist and right wing supporters of M Raymond Barre, the former Prime Minister, M Giscard d'Estaing, the former President, or M Jacques Chirac, the Mayor of Paris and leader of the neo-Guallist RPR.

The cabinet reflects—as did M Pierre Mauroy's outgoing administration—the rother old fashioned ideological balance of forces within the Socialist party. Instead of the unity of the left through which M Mitterrand gained power in 1981, he has now given priority to the union of Socialists.

The new Government is far more under the personal thumb of M Mitterrand than was M Mauroy's cabinet. M Fabius himself is a member of the President's inner circle as is M Pierre Beregovoy, the new Minister of Finance who served as Secretary General at the Elysee after M Mitterrand came to power. So, too, is M Joxe who has continued to remain a close friend, in spite of M Mitterrand's recent slide to the centre.

> The composition of the new Cabinet runs counter to M Mitterrand's recent signals of compromise with opponents

The President's immense stature in the party, and the trust it now places in his Gaullist style leadership, means that M Mitterrand can impose on this heteregeneous cabinet the policies he wishes far more than in his early days in office. The fundamental calculation at the back of his mind could well be that he can now carry through a transformation of the archaic French Socialist party, creating a more Social Democrat movement. Many of his recent declarations have pointed in this direction.

Another major change, of course, is the replacement of M Mauroy by M Fabius. In M Mitterrand's eyes, the 37-year-old M Fabius represents a youthful and dynamic side to the party that will enable it to make inroads to the centre. He also represents M Mitterrand's futurist dreams, with the young Fabius playing the part of an base metal of French industry into technological wonders.

M Mitterrand may intend the new cabinet, apart from the Prime Minister, to be an interim one, with fresh faces brought in before the 1986 election campaign gets under way. Its composition runs counter to the signals of compromise and concession to his opponents on the centre and right that were contained in the recent withdrawal of the private school bill and in the announcement of a referendum on civil liberties.

But by 1986 M Mitterrand must have recaptured enough of the centre ground to be close to a 50/50 balance in the National Assembly between right and left. Without that he faces the prospect of an Assembly dominated by the right whose goal would be to oust him from office in the shortest possible time."

The fact that the Communists failed to wrest concessions over a softening of economic policy from M Fabius is the strongest guarantee that the present anti-inflationary policy will be maintained.

In one sense the new administration has no other choice. The reflation of the economy that the Socialists carried through in their first year in power has left a hefty backlog of foreign debt now close to $60bn. The Government cannot afford to aggravate this further by fresh stimulatory measures that would push up imports, worsen the trade deficit and hence add to the size of the debt.

Moreover, under the triple economic leadership of M Mitterrand, M Fabius and M Pierre Beregovoy, the new Finance Minister, the Socialists will want to present an image of a party that is a sound manager of the economy.

M Beregovoy, the former Minister of Social Security, comes to the job with the record of bringing France's unwieldy social security accounts into surplus. He likes to say that M Delors preached rigour while he was at the Ministry of Finance, but that it was he who practised it as Minister for Social Security.

M Mitterrand, for his part, in an impotrant interview before the European elections, projected himself as an opostle of the priorities of sound economic mangement, fo restoring compnay profitability and of bringing down inflation. The Socialists are already beginning to see the results of this switch in emphasis. Inflation has come down from 12 per cent at the end of 1982 to 7.7 per cent last month and will slide lower because wages are rising more slowly than prices. Company profits are improving and a number of the nationalised industries are making money.

Paradoxically, therefore, the Socialists are preparing to face the electorate in 1986 on a record of purging the economy while failing to prevent the inexorable rise in unemployment—a position not too distant from the objectives of M Raymond Barre.

But if the broad lines of economic policy appear clear, there is plenty of room for manouvring at the edges. The recent set of bad trade figures, leaving a cumulative trade deficit in the first half of the year of FFr 22bn (as compared with a government objective of FFr 25bn for the year as a whole) points to the possible need for a further daflationary squeeze of domestic demand.

M Fabius is more likely to be tempted in the opopsite direction of trying to give the Socialists a little breathing space in advance of the 1986 elections by increasing purchasing power and reducing unemployment. He was amongst those Ministers who argued recently in favour of preserving public sector investment even at the cost of a further widening in the Budget deficit.

M Mitterrand has now ruled that for the 1985 deficit the ceiling of 3 per cent of GNP must be maintained. But there is no longer anybody in the cabinet with the same stature and economic knowledge as M Delors to jog his elbow severely if monetary or fiscal policy gets out of line. It is the role to which M Beregovoy aspires.

Thwe main threat to the economy must now be the possibility that the Communists will step up strikes in industry in an effort to slow down restructuring that involves larger redundancies.

The immediate test case will be at Citroen, the private car concern, where the management is still awaiting government approval to declare 2,000 men redundant, and at Creusot-Loire, the heavy engineering group whose bankruptcy will produce additional heavy job losses. Yet beyond that, the automobile industry, the shipyards and the telecomuncations sector need to make further cutbacks in their labour force.

But if increased action by the Communist-led CGT is a risk, it is by no means clear that the Communists are prepared for all-out war. The danger is that, in a serious industrial confrontation, the rank and file would not follow them. M Beregovoy, for one, believes that the Communists are so divided amongst themselves that they will for the time being avoid major industrial conflicts.

Before his new initiatives, M Mitterrand was on the defensive against an increasingly belligerent opposition. It was clear that the right and centrist parties had the power to block the progress of the new private schools legislation and press laws in the National Assembly, and it was clear that they intend to do so by stretching the Constitution to its limits.

The cabinet reshuffle, the proposed referendum and the withdrawal of the private schools Bill have taken the wind out of their sails. They give M Mitterrand a breathing space in which he can also emphasise his international image of European statesman, and broker in Middle East and East West relations. Having M Jacques Delors as President of at the European Commission in Brussels is very much part of his overall scheme of things.

The first test of the new balance of political forces in France will come with the referendum in September on civil liberties. The text of this was due to be approved by the cabinet last night. M Mitterrand, clearly hopes that a high turnout in the September vote and a majority in his favour will restore popular confidence in his government and undermine the opposition's charge that he no longer has a mandate. It is a high risk gamble taken by a man with his back to the wall.

Men and Matters

America's toughest boss

Only four years after he became chairman of General Electric at the unconscionably youthful age of 44, John Welch has run away with Fortune magazine's accolade as the toughest boss in America.

This unenviable (enviable ?) title is not easily won. Fortune only allows a contender into the race when a consensus has emerged among employees of the ogre concerned and an assorted cast of management consultants, investment bankers, organisational psychologists, lawyers and—not least—psychiatrists who specialise in treating executive stress.

Welch, known familiarly as "Neutron Jack"—his factory visits are said to leave the buildings standing but destroy everyone inside—has unquestionably shaken up General Electric, the nation's fourth largest manufacturing company after General Motors, Ford and IBM. He bumped net profit margins up to 7.6 per cent last year, easily a record over the past decade and has trimmed ruthlessly the businesses he does not consider vital to the group.

But his style in achieving all this is fearsomely demanding. Fortune says he conducts meetings "so aggressively that people tremble. He attacks almost physically with his intellect—criticising, demeaning, ridiculing, humiliating."

Fortune has another nine executives in the list, some of whom sound nastier, if not tougher, than Welch. But it leaves us with a note of caution. The magazine published its previous list in 1980, and not one of those villains has maintained a reputation ugly enough to run again.

Most have also fallen from the pinnacles of the industrial world in one way or another, though some, like David Mahoney, former chairman of Norton Simon, have landed on their feet — in his case a $12m severance payment after the buy-out by Esmark, plus $23m in stock options.

Others are still suffering from the fame to which Fortune lifted them. Andrall Pearson, president of PepsiCo now makes the point that he would like to be known as tough-minded, not tough. Please make the distinction, he asked Fortune, because since the 1980 article his daughter's friends have been scared to come to the house for dinner.

Two for Europe

Now that Jacques Delors has been confirmed as the new president of the European Commission, discussion has been stepped up in London to choose the two British commissioners to succeed Christopher Tugendhat and Ivor Richard.

By tradition the Prime Minister makes nominations from each of the two main parties after discussions "through the usual channels" which have already begun with opposition leader Neil Kinnock.

The job of a commissioner no longer tempts a rising politician especially in view of the dfficulty of coming back to the top in Westminster. The mixed fortunes of Roy Jenkins since his return in 1982 hardly present an encouraging precedent. So the most likely contenders are politicians whose ministerial careers are finished or near the end.

The most widely-mentioned Tory is David Howell, a former Transport Secretary.

The Tory leadership might not, however, be too keen on a by-election at Guildford in spite of his 11,800 majority. The party lost Portsmouth South with a bigger majority last month.

Among the peers, Lord Cockfield, Chancellor of the Duchy of Lancaster and a former Trade Secretary is one possibility. Mrs Thatcher likes him. He is expected to leave the Government in the next reshuffle.

Lord (Derek) Rayner has also been mentioned but he is probably too busy running Marks and Spencers.

Cecil Parkinson has in the past talked favourably about the attractions of becoming trade commissioner, but he is no longer regarded as a strong contender in Whitehall.

On the Labour side there are few senior politicians with obvious qualifications, apart from Denis Healey who is certainly not a candidate.

There have even been suggestions that a senior Alliance figure such as David Steel might be chosen, but Mrs Thatcher is expected to stick to tradition and the two-party system by picking a middle-ranking Labour ex-minister.

Viscount out

Delors' appointment must have been a grievous blow to Viscount Etienne Davignon, Belgium's candiadte and erstwhile favourite for the post.

The disapopintment may have been softened by a phone call early yesterday morning from the former French Finance Minister to his rival in Brussels. But Davignon, regarded as the backbone of the present Commission, is left without any obvious role for the future.

He holds th twin portfolios of industry and energy at present, but has always made it clear that next time he would only come back for the top job, or not at all. Indeed, he would not even be a vice-president in the new Commission for that position would pass by rotation to Frans Andriesses, his Dutch colleague.

Davignon has shown interest in the chairmanship of the *ad hic* committee being set up by heads of state and governments to propose ideas for the "relaunch of Europe"—the so-called Spaak Committee. But that job already seems to have been cornered by the Irish, currently in the chair of the European Council.

Dr Garret FitzGerald, the Irish Prime Minister, has put forward his old friend and close adviser, Senator Jim Dodge, former Irish Foreign Minister and internationally-respected professor of engineering from University College, Dublin, for the post. By all accounts, Dodge hs won the necessary support from the rest of the 10.

Davignon, whose successor as Belgian Commissioner is expected to be Willy de Clerq, the present Finance Minister, cannot easily fit back into the framework of Belgian politics either. He was always more of a technocrat than a politician.

Perhaps Mrs Thatcher will be inclined to help him find a suitable niche. She backed his candidacy for the Commission presidency with enthusiasm and was one of the last to be persuaded to accept the French nomination instead.

Observer

"Don't worry, any minute now your government will call for the Dunkirk spirit and a fleet of small boats will arrive . . ."

BRITAIN'S MINERS' STRIKE

A battle for hearts and minds

By Ian Hargreaves and John Lloyd

IT WAS as if they wanted to break down in public. The talks were held in the Rubens Hotel, where they had been held before, 300 yards from the National Coal Board's central London headquarters. The negotiating chamber was a square box of a room surrounded on two sides by a bar and a restaurant, seething with tourists and journalists.

Early in the talks, an enterprising freelance photographer, Paul Massey, followed Mr Arthur Scargill, the National Union of Mineworkers' president from the toilet back to the door of the negotiating room, waited a few minutes, kicked open the door and snatched a picture of the two sides hunched round the table. Twelve hours later, the NCB side slipped out, the talk box's doors were thrown open, the press let in officially, and with American tourists peering round the doorframes asking "Who is that?" Mr Scargill was "sorry to say" that no agreement had been reached. The stagey, predictable affair — astonishing only for the length of time it took to reach the dénouement — came to a stagey, predictable end.

The climax had the merit of defining precisely the issue which now looms ever more heavily over the country. The NCB appeared ready to concede everything — to the dismay of many of its managers —except the right to close pits on economic grounds. Pits which cannot be "beneficially" developed — the word at the core of the matter — would be shut. These five syllables are now a mighty national issue.

Now it is back to the streets, the picket lines, the mass meetings and, above all, the propaganda war. Now, as a senior Government official put it yesterday, begins the real battle for the hearts and minds of men.

The prize for the Government is huge. Defection from Mr Scargill by the majority of miners would end the strike and the most serious threat to the Government, clearing the way for the Coal Board to manage the state sector's most problematic loss-maker on an overtly economic basis. It would also break the fighting spirit of the labour movement's crack regiment. The practical and symbolic value of that is without price.

The options open to both sides are stark.

For the union, its best tactic is a conservative one: what it has, it must hold. It has solid strikes in the Yorkshire, South Wales, north-east Scotland and Kent areas, and largely solid in Lancashire. The "drift back" has so far been confined to Nottinghamshire, where most miners are working, and the small contiguous areas of Leicestershire, south Derbyshire and Staffordshire. The cockpit of the struggle remains north Derbyshire where the "drift back" (a misnomer for men who are bussed at speed through howling pickets) has been most encouraged, but is still agonisingly slow.

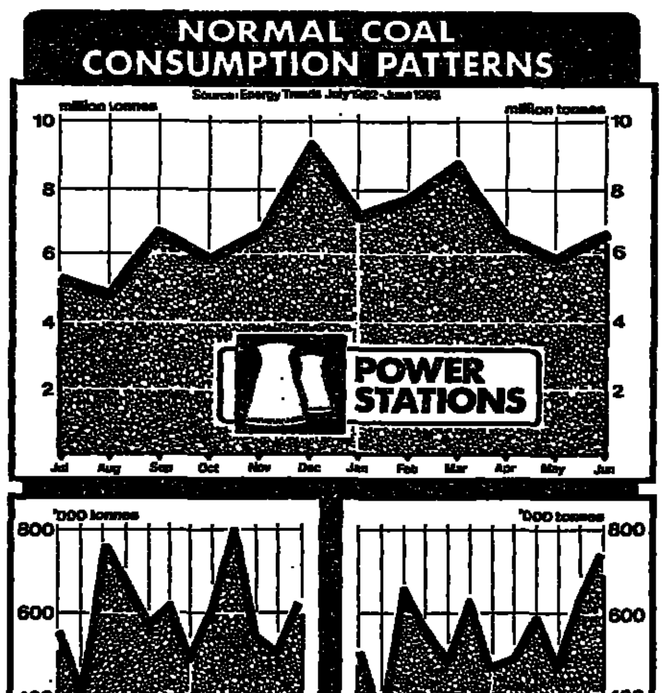
Time, as Mr Scargill has said more than once, is on his side. As the graphs show, the summer stocking up period for domestic coal users is already upon us, while industry traditionally stocks up in September and October. For the power stations, certain to be the centrepiece of any prolonged confrontation, December is always the critical month.

So far, domestic coal and smokeless fuel customers have been helped out by the NUM's williness to allow some processing to continue at plant they know might never re-open once closed. Industry has been finding ways to import coal and, unlike the 1973-74 coal dispute, ministers have been under no pressure to settle from bodies like the CBI.

At the power stations, the outlook has not changed for several weeks. Stocks at Central Electricity Generating Board stations stand at 15m tonnes, but on present trends will drop dramatically in October, November and December, producing crisis by Christmas, unless the Government acts to move the 22m tonnes of coal still at the collieries or dramatically to raise the level of imports.

Time could, however, also work against the union, as silent strikers, keeping their own counsel at home with their families, get more desperate as the bills pile up.

But against that, the miners have a fairly effective food distribution system and only those already labelled as poor payers seem to be having their utilities



cut off—a result, ironically, of policy decisions by other state-run enterprises. Nor do most face serious threat of foreclosure by mortgage companies or eviction by (usually Labour-controlled) councils, although many have sold cars and other possessions to eke out family savings.

The substantial sums donated by other unions, and through the various channels of the Labour movement, will not dry up for some time while the miners' cause is still (nominally at least) that of Labour as a whole.

Wider industrial support is, however, unlikely to increase. The dockers' strike has not been wholly fortuitous for the NUM: the Transport and General Workers' leadership has been glad to be able to offer concrete help. But fears over the Dock Labour Scheme are deep and real: the dispute was waiting for a cause and it will be settled (or not) according to its own dynamic. Beyond that, no other groups of workers look likely to be able to come to the miners' aid and no obvious pay anniversary or other point of potential dispute stands out in the autumn calendar.

For the Government, however, the disruption caused by the dock strike offered ministers an excuse to sieze from Mr MacGregor the initiative in the propaganda battle.

When the strike began, the judgment of Mr Peter Walker, the Energy Secretary and a veteran of the 1973-74 coal strike (when he was Industry Secretary and responsible for energy) was that no unnecessary opportunity should be given to the NUM to turn the dispute into a miners versus Tories showdown.

But the sight of Mr MacGregor, alternately wooden and irascible in front of the cameras and the strong criticism from within the Board about the erratic nature of his handling of sensitive issues, like the possibility of a Board-organised ballot of miners, had already convinced ministers of the need for a new approach. The appearance of Mr Neil Kinnock, the Labour leader, alongside Mr Scargill at the recent Durham Miners' Gala added to the conviction that there is now no alternative to prosecuting the coal dispute in an overtly political atmosphere.

The Government's main objective in the next six weeks will be to hasten the drift back to work. From its own and the Board's soundings it believes that this can start to happen in earnest once the summer pit shutdown period is over and miners realise—helped by the Rubens Hotel stage management—that there is now no hope of an early negotiated settlement.

Just how slow that drift has been so far can be seen from the national figures on former strikers returning to work, which the Coal Board has been collecting only for the last two weeks. Over that period—10 working days—222 men took the decision to return. At that rate, it would take two years to get north Derbyshire back to normal working. In north Derbyshire itself, 647 men were working yesterday, up from 628 on Wednesday, but still fewer than the 670 before the Rubens Hotel talks began. North Derbyshire has 9,500 NUM members.

The propaganda strategy will be to identify "Scargillism" or "the cost of Scargill" as the focus of attack, but even in the hands of so skilful and experienced a politician as Peter Walker, it is difficult to imagine well-chosen words breaking the strike as the miners sniff the chill of autumn in the air.

If by the end of August, the drift back tactic is not succeeding, it is freely acknowledged in Whitehall that the Government will have to do something whether that be using the civil law to prosecute secondary picketing and hence possibly seizing union funds or attempting to move the pithead coal stocks. Under the 1920 or 1964 Emergency Powers Act, troops could be used to move coal if constractors and railwaymen refused.

These matters, along with possible power rationing programmes are all now under review in Whitehall, but the strategy is not yet decided. The preference still seems to be for a "sit it out" approach, but ministers know that they cannot approach the autumn party conference season without a clear strategy for either ending the strike or surviving it indefinitely.

The viability of the indefinite attrition option is bound to remain a matter of fine judgment. At present, the non-striking mines are producing coal at an annual rate of 25m tonnes. Opencast mines, so long as they remain subject only to the pressure of annoyance and vandalism, can contribute almost 15m tonnes. Imports, maintained at the May rate, are worth almost 10m tonnes.

That adds up to almost 50m tonnes, against demand in a normal year of about 110m tonnes. But since the CEGB is now thought to be burning between 320,000 and 350,000 tonnes of fuel oil a week, which equates to annual burn of about 30m tonnes of coal equivalent compared with 4m tonnes last year, the gap is not so large as it may appear.

What the figures do show, however, is the significance of the 22m tonnes of pithead stocks—about 4m of which are at non-strikebound pits. If the Government can release them, or even most of them, it can survive the strike without serious power cuts right through the winter. Since there is also some additional potential to import, labour conditions permitting, this could be advanced as a position of indefinite survival.

For this calculation to work, of course, nothing must be allowed to go wrong—as the docks situation has. And the timing and presentation of the decision to move pithead stocks would have to be perfect if it was not to galvanise the Labour movement.

But it is a risk the Government is reluctantly starting to accept that it may have to take. The alternative is to risk letting the lights go out.

Lombard

Bank regulators on the run

By William Hall in New York

IT IS looking increasingly likely that Continental Illinois, until recently one of the pillars of the U.S. banking establishment, is going to end up being effectively nationalised, and when the U.S. Congress returns from its summer recess next week, it will want to know why.

U.S. bank regulators managed to postpone an earlier Congressional witch hunt into the run on Continental Illinois on the grounds that they were too busy crafting a painless permanent solution to the beleaguered bank's problems. This time round they are not going to be so lucky. Many people believe the rescue of Continental Illinois has been bungled and U.S. banking officials are going to be carpeted. How come the U.S. Government is now on the verge of owning a 127-year-old $35bn multinational bank?

When the initial $7.5bn "temporary" rescue package was unveiled, William Isaac, chairman of the Federal Deposit Insurance Corporation (FDIC) proudly boasted that "never before have the regulators and leading banks responded so swiftly and harmoniously to a situation of this type." A couple of months later the regulators' early enthusiasm has disappeared and the harmony is less obvious. Significantly, the U.S. Federal Reserve is keeping a low profile and the FDIC, very much the junior agency, looks set to bear the brunt of the criticism.

Despite having thrown the "full faith and credit of the U.S. government" behind Continental Illinois, confidence has not been restored and the run continued. Many rival bankers have inspected Continental's books but no bid has on Continental's deposits has been forthcoming. Several wealthy corporate gamblers, such as Texas's Bass Brothers, have come and gone but no-one from the private sector has shown willing to put up the few billion dollars necessary to put Continental on a sound footing.

The Bank regulators' early hope of finding a solution to Continental's problems which required no long term official financial assistance has disappeared. Indeed, it is unclear what role, if any, the private sector will be asked to play in rescuing Continental. Could the rescue have been handled any differently?

When the run on Continental Illinois precipitated the crisis in mid-May, the regulators had two choices. Either arrange a hasty weekend merger or buy time. They chose the latter course because they believed a merger or a bank of this size arranged at short notice would "have created a buyer's market" in which the FDIC would have had to put up a lot of the money.

With the benefit of hindsight, a swift merger of Continental Illinois backed up by Federal guarantees plus a capital injection, would probably have been the best bet.

The private sector would at least have been fully involved in taking the nasty decisions which are required if Continental is to be restored to health.

In the event the regulators took the unprecedented step of guaranteeing all debts and deposits of the bank in an attempt to protect the safety and soundness of the U.S. banking system and to give them time to resolve Continental's problems in "an orderly and permanent way." Bankers believe they had no alternative but to step in, but argue that if only the authorities had put a time-scale on their involvement, say five years, the market's response would have been very different.

Notwithstanding the unprecedented nature of the guarantee, depositors have continued to withdraw their money. They are more fearful that their funds might not be repaid on time than that they might suffer a loss of principal. Just why the FDIC has been so reluctant to reassure depositors about the term of its commitment is a bit of a mystery.

Whatever the reason, its resitancy has weakened its bargaining position and meant that its own financial involvement in the ultimate solution is going to be much larger than it first thought. Continental Illinois is worth far less today than it was two months ago and it is beginning to look as if the regulators have largely themselves to blame. It is not only the top manabement of Continental Illinois which is in need of a shakeup.

Letters to the Editor

Running the buses

From Professor M. Beesley

Sir,—The leader on buses (July 18) sits oddly in the Financial Times, normally notable for its recognition of market forces. The hyperbole you attribute to the White Paper — "categorical assurances," "nirvana," "happy commuters" and the rest is your own. The White Paper attacks a serious problem of economic decline realistically. You seem to prefer ancient rhetoric ("return to the chaos of the 1920s") to criticising what is actually in the White Paper.

Much does indeed hinge on the reduction of costs which freeing entry can give. The relevant point is what costs will be, not what they are now. Prediction is involved. The White Paper's conclusion of "up to 30 per cent" savings is based on a considerable amount of evidence, summarised in the six pages and 12 references of Appendix A. You also write your own version of events in the trial areas. The White Paper's five pages of analysis of this is chiefly directed to the very "danger" you perceive it to have neglected — what happens to the level of rural services after deregulation? You paint an alarmist picture of Hereford, but service reduction is not, it seems, the outcome. The town centre, you say, is "crawling with buses"—providing among other things the good service to local centres that rural areas need most, and at low price.

The substantial, and political, argument of the piece comes when you doubt whether authorities will use their powers to subsidise services they see as socially desirable. You prefer the "hidden tax" now paid by other bus users, some of whom are "disgruntled." The morality of a hidden tax aside, how "disgruntled" they are is open to debate. What is not open to debate is that they have voted in large numbers in recent years not to pay the tax by not catching the bus. The problem starts with the fact that the "tax" system has failed to maintain adequate buse services. Another approach is necessary. This the White Paper tackles, on many fronts. You may disagree with the "agenda," but at least it does not try to pretend that it is politically acceptable to do nothing now, which in essence is what you propose.

One might be forgiven for thinking that the Financial Times has for once lost its grasp of business realities in proposing the "interim solution" in the last paragraph. Somehow or other, it is imagined that "franchising" can improve the position without genuine rivalry for the franchises. It can't; one has to create the competitive conditions first. Rightly, the White Paper concentrates on this, and devotes a lot of space to proposals for strengthening that framework for ensuring acceptable conduct which would help to make competition work for the consumer.

The White Paper is certainly radical. There should be a great deal of debate about it. Contributors to that debate might, however, usefully adopt the ground rule that one starts with its actual arguments and the evidence it presents.

(Professor) Michael Beesley,
London Business School,
Sussex Place,
Regent's Park, NW1.

Pakistan's nuclear programme

From the Minister (Information), Embassy of Pakistan

Sir,—This refers to the report (July 17) alleging that Peking has helped Pakistan with nuclear development. The allegation is untrue.

Pakistan's modest-sized nuclear development programme is geared solely to peaceful purposes and Pakistan has no plans to make nuclear weapons.

Neither China nor any other country is helping Pakistan in its nuclear programme. Allegations of nuclear collaboration between China and Pakistan have been denied by their respective governments.

What surprises us is that while Pakistan's peaceful nuclear programme is an eyesore for unfriendly lobbies in certain Western countries, they do not seem to object to the nuclear-weapon-making capability of India, Israel, South Africa and certain other countries. Nor do they object to the burgeoning atomic arsenals of the nuclear powers. Why this discrimination against Pakistan, particularly when President Mohammad Zia-ul-Haq has declared time and again that Pakistan will not make nuclear weapons?

Qutubuddin Aziz,
35, Lowndes Square, SW1.

Unemployment in east Kent

From the Co-ordinator, East Kent Economic Improvement Group

Sir,—I refer to the Michael Prowse article "Don't write off the regions" (July 12) and in particular to his last two words "poorest regions."

To most readers this means the "north" whose publicity and lobbying, together with its generous supply of Labour MPs catches public interest and Government attention and aid.

Michael Prowse refers to 17.5 per cent unemployment in the north of Britain—in east Kent it is generally 19.5 per cent rising to 20.6 per cent in the Margate area.

The last Government aid received by this area was in 1967, which did immediately raise local employment, but the aid was neither sufficient nor permanent enough to have a lasting effect.

So serious has the employment situation now become that a two-pronged effort to find a remedy has had to be made by local public and private organisations, backed by our Members of Parliament.

A local authority study has been produced to show the Government that "assisted status" is required for the area, while at the same time local public and private organisations are contributing to form a "private" enterprise zone.

"Prosperous" the south east may be statistically, but not in reality in East Kent.

V. BRIAN PYE
Piper House,
Westgate, Kent.

CEGB's fuel policy

From Dr G. Blazyca

Sir, — Dominic Lawson (July 17) reports a remarkable statistic. He suggests that the Central Electricity Generating Board is "now using oil-fired power stations to generate over 50 per cent of its output."

If correct, the board's fuel policy has already been transformed to an extent that would surprise many people. In 1983 oil provided only 7.2 per cent of our electricity supply. Coal generated some 73 per cent with most of the balance coming from nuclear fuel. There has been no indication of any substantial increase in nuclear generation during the current dispute. If oil burning has increased to 50 per cent, then it has simply displaced coal.

In round figures the CEGB's fuel policy in 1983 meant using coal to provide 90 per cent of non-nuclear electricity, and oil for the remaining 10 per cent. Most of us would expect the board to have increase its oil burn recently in order to conserve the coal stock. Few of us knew by how much. Slowly, however, some data has emerged which throws light on the issue.

Both balance of payments and stocks depletion data for April pointed to an increase in the oil burn to 33 per cent. That is the figure that, according to your correspondent, has been eased up to 50 per cent. If this is so, then the fuel cost of the dispute must be significantly greater than most of the estimates that have so far appeared. My own rough calculations suggest that the weekly fuel cost has been pushed up from £19m in April to nearly £29m in June. From July to December the average weekly cost would be over £32m. By the end of the year the fuel cost alone of the miners' strike would be well over £1bn.

Is that how much Mrs Thatcher is willing to throw at the CEGB in her attempt to beat the miners, or will we all have to pay through our electricity bills in the near future?

(Dr) George Blazyca.
School of Social Sciences,
Thames Polytechnic,
Churchill House,
Wellington Street, SE18.

Easing postal ballots

From Mr M. Greener

Sir,—In the context of postal ballots you refer (July 12) to consternation in trade union circles at the possible cost of keeping, centrally, up to date records of membership. You cite the National Association of Local Government Officers as being particularly disturbed at the prospect of such an additional financial burden.

Companies are, and have long been, obliged to keep such records regarding their members and to continually update the information contained therein. I do not recall ever hearing the least whimper of complaint from even the largest public company as to the exacting cost of such a requirement.

Many of the bigger companies use the registrars departments of the major clearing banks. These departments have all facilities, including necessary computer systems, for the efficient maintenance of such records. Would it not be sensible and comparatively cheap for trade unions to make use of such facilities and emulate public companies in this respect.

Of course, it may be that the leaders of trade unions are reluctant to let membership lists loose in the private sector. If so then it would be salutary for them to reflect that banks are renowned for their discretion and that obtaining classified material from government departments is childs play when compared with the problem of persuading banks to divulge information appertaining to clients.

Michael J. Greener,
33, Glan Hafren,
The Knap,
Barry, S Glam.

FINANCIAL TIMES

Friday July 20 1984

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Flick may sell Krauss Maffei to MBB

By Rupert Cornwell in Bonn

FLICK, the West German industrial group, *is negotiating the sale of its* armaments subsidiary, Krauss Maffei, which makes the Leopard tank.

Discussions have been under way for some months and a deal might be agreed in the early autumn. One possible buyer is a consortium headed by Messerschmitt-Bölkow-Blohm (MBB), the German aerospace group.

Such a deal would amount to a big concentration in the German defence industry. MBB reported sales of DM 5.9bn ($2.06bn) in 1983, while Krauss Maffei boosted turnover by 59 per cent last year to more than DM 2bn, largely because of the success of its Leopard 1 and 2 tanks.

Flick has yet fully to disclose its plans for disposing of *Krauss Maffei*, one of its more successful subsidiaries. The long standing suggestion that it wants to reduce its industrial holdings were reinforced this month when it announced the sale of its special steels subsidiary, Edelstahlwerke Buderus.

That company was a member of the Buderus group, the direct parent of Krauss Maffei, which is in turn 97 per cent owned by the Flick holding company, Friedrich Flick Industrieverwaltung of Düsseldorf.

Although the authorities have insisted on a "German solution" for the future of the tank manufacturer, its transfer to MBB alone would pose some difficulties.

The Defence Ministry is understood to be reluctant to sanction the creation of a single defence industry giant in Munich, where both companies have their headquarters, for fear of the implications for arms procurement.

At the same time, some shareholders of MBB – including Thyssen and Siemens – are believed to have had reservations.

Therefore the idea of flanking MBB with other prospective purchasers of Krauss-Maffei has made headway. *Those might* include one or other of the big West German banks, the Diehl group of Nuremberg or IWKA of Karlsruhe. The latter two concerns are both deeply involved in the defence industry.

MBB may have the upper hand in any acquisition agreement. Herr Hanns-Arnt Vogels, its chief executive since February 1983, was previously head of the supervisory board of Krauss Maffei and a top Flick manager. It is understood that the asking price for Krauss Maffei is likely to be between DM 120m and DM 150m. That compares with the DM 50m believed to have been agreed for the sale of Edelstahlwerke Buderus.

Shortly after the steel disposal, Flick declared that the proceeds *would go towards an unspecified* but "massive" future investment programme.

The most notable casualty of the affair has been Count Otto Lambsdorff, the former German Economics Minister. He resigned last month and has been committed for trial to answer corruption charges.

Delors to be appointed next EEC president

BY BRENDAN KEENAN IN DUBLIN AND QUENTIN PEEL IN BRUSSELS

M JACQUES DELORS, the outgoing French Finance Minister, is to be the new President of the EEC Commission, Dr Garret FitzGerald, the Irish Prime Minister, announced yesterday.

Dr FitzGerald, charged as the *current President of the European* Council with consulting the other nine governments on the appointment, stressed that there had been full consultations with all member states, involving three rounds of telephone conversations.

Once it had become clear that there would be no West German candidate for the post, the heads of government had given their con*sent to M Delors' appointment*, Dr FitzGerald said.

There have been suspicions in some capitals, including London, that Bonn and Paris had done a deal to secure M Delors' nomination but Dr FitzGerald rejected that view. M Delors is understood to have had the backing of eight member states and to have been the second choice of another.

Although the British had made little secret of their support for the rival candidacy of Belgium's Viscount Etienne Davignon, the present EEC Commissioner for Industry and Energy, M Delors' appointment is almost equally popular in London.

He was responsible for a draft report on EEC budget discipline last November which actually went considerably further than anything under current consideration.

One of his first major tasks will be to impose the sort of budget discipline within the Community – which Britain has been trying to impress on other members – to keep spending, particularly on agriculture, within manageable limits.

Another task will be to preside over the enlargement of the Community to include Spain and Portugal, intended to be completed in January 1986.

In Brussels, where he is regarded as a committed European with the energy and enthusiasm needed to galvanise the EEC out of its present lethargy, M Delors's appointment has been warmly welcomed.

As a former highly respected finance minister, he will be listened to in international discussions with *rather more attention than has* been accorded his predecessor, M Gaston Thorn, of Luxembourg, who hands over to him at the end of the year.

One of M Delors's first jobs will be to consult heads of government in the 10 member states about their priorities for the coming years and about their candidates to become commissioners in his new "cabinet."

He is unlikely to have much influence on these decisions, jealously guarded as the prerogatives of the governments, but he may at least hope to discourage them from using Brussels as a retirement ground for politicians, as it has been occasionally in the past.

Editorial comment, Page 12

Britain warns of 'intractable problems' in Hong Kong talks

BY ALAIN CASS, ASIA EDITOR, IN LONDON

BRITISH OFFICIALS warned yesterday that "intractable problems" remained in the talks with China over the future of Hong Kong. They have also, for the first time, raised the possibility that Britain might refuse to sign an agreement by the September deadline.

The officials, who declined to be named, denied that the negotiations were in a state of crisis. They conceded, however, that "a great deal of work remained to be done" before an agreement could be reached which Britain could recommend to Parliament and the people of Hong Kong.

The toughening of Britain's stance appears designed to put pressure on the Chinese negotiators a week before Sir Geoffrey Howe, *the British Foreign Secretary, flies* to Peking for talks.

It also represents a major tactical change in Britain's handling of the public relations aspect of the talks.

Officials who have been arguing *for months that* China's campaign of orchestrated leaks and public comments should be matched by similar British tactics have won out over those who advocated confidentiality.

Sir Geoffrey is due to visit Hong Kong and Peking on July 26 in an atmosphere of growing concern in the colony that the talks have reached an impasse.

A British refusal to sign an agreement would provoke a "very difficult situation," officials said, but it was important that the Chinese government understood that Britain was not prepared to sign "any old agreement."

The British Government also admitted for the first time yesterday that Britain was considering a Chi*nese demand for a joint Sino-Brit*ish group to monitor the colony's transition to rule from China in 1997, the year the UK's lease on 92 per cent of the territory runs out.

Officials said Britain had not *ruled out this* idea, which seems likely to dominate Sir Geoffrey's Peking discussions. It was emphasised, however, that there was no question of Britain giving up the right to govern Hong Kong until 1997.

Although British officials remain optimistic that an agreement can be obtained by September, they say they find the present differences worrying. One important difference between Britain and China is Peking's unwillingness to conclude a detailed agreement.

Britain appears convinced that if a draft deal is not reached by the September deadline unilaterally imposed by China, then Peking will announce its plans for the colony's future regardless, provoking a col*lapse in confidence*.

Officials do not expect Sir Geoffrey's visit to succeed in making a final breakthrough and said there may well have to be other visits before September.

Texaco cuts BNOC purchases

BY DOMINIC LAWSON IN LONDON

TEXACO, the U.S. oil company, is cutting by about a third the amount of North Sea oil it buys from the British National Oil Corporation.

The move puts further pressure on spot North Sea oil prices. Yesterday the spot price of Brent, the North Sea marker crude, hovered on the brink of $28 per barrel, a point it had not reached since the March 1983 Organisation of Petroleum Exporting Countries (Opec) meeting which cut official crude prices by $5 a barrel.

Other crude prices, which marked time during last week's Opec meeting in Vienna, also fell sharply. Arab light traded around $27.35, down from $27.75 last week.

Texaco's decision is the most damaging manifestation so far of oil industry opposition to BNOC's resolve to peg the official price of Brent at $30 per barrel for the third quarter – unchanged from the second quarter.

Texaco has been buying 60,000 b/d from BNOC at the $30 term price, but yesterday said: "We have reduced the amount of crude oil we purchase from BNOC on a term basis."

The company, which has an estimated 12 per cent share of the UK petrol market, would not add to that remark but it seems that the reduction is of the order of 20,000 b/d.

BNOC, which buys the oil from Texaco's North Sea fields at the $30 price, will most likely have to sell the crude at a loss on the spot market. It seems certain that BNOC, which last year made an £800,000 pre-tax profit, is now making losses.

The problem for BNOC is that it is under permanent pressure from the Government not to take a lead in cutting oil prices, since it is felt that this could start a chain reaction of falling oil prices.

Mondale struggles to unite party after nomination

By Reginald Dale in San Francisco

MR WALTER MONDALE yesterday began the uphill struggle to unite a fractious Democratic party against President Ronald Reagan before the election in November.

Mr Mondale won his victory as the party's presidential nominee in the first ballot at the National Convention on Wednesday night, against a disappointed and still grudging loser, Senator Gary Hart, of Colorado.

But the party yesterday seemed to be emerging from San Francisco looking much like its traditionally feuding coalition of separate interests.

Few political experts who have watched its behaviour this week believe that it is yet successfully girding itself for the campaign against, Mr Reagan.

Much of the ritual attempt to rally the party behind Mr Mondale seemed at best half-hearted. The party leadership was still counting on a major boost from the nomination later last night of Ms Geraldine Ferraro, of New York as Mr Mondale's vice presidential running mate. Ms Ferraro was expected to be nominated by acclamation at a convention largely dominated by the new power of women in American politics.

The enthusiasm that will be generated by her nomination will help to restore the party's image of unity. But it is still far from clear that Ms Ferraro will prove an electoral asset when it come to the polls.

Mr Mondale won the presidential nomination after New Jersey cast 115 of its 122 votes to put him "over the top" in a well stage-managed roll-call vote of straight delegations, of which the outcome had never been in much doubt.

New Jersey won its symbolic role in party history as the last major state to give Mr Mondale a major presidential primary win in his lengthy and divisive battle with Mr Hart.

*Mr Hart tried to rise to the occa*sion by returning to the convention hall to propose Mr Mondale's nomination by acclamation. But many of Mr Hart's 1,250 delegates at the almost 4,000 strong convention found it hard to hide their disappointment – and Mr Hart's concession was stiff-lipped and unsmiling.

Right to the end, Mr Hart had tried to lure away Mr Mondale's delegates in a final bid for the nomination. By the time of his "last hurrah" in San Francisco, he was beginning to try to adjust his sights to the new presidential contest in 1988. His awkward concession was seen by many party members, however as "sour grapes" which would not do much good to his political future.

The final total of the roll call vote of the 3,933 delegates, gave Mr Mondale 2,191 against 1,200 for Mr Hart and 465 for Mr Jackson. With 1,967 needed for victory it was a decisive win for Mr Mondale, but still closer than he would have liked.

Women's role in politics, Page 4

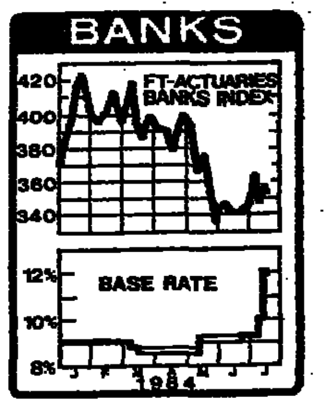
THE LEX COLUMN

NatWest scoops the pool

There may have been a few hopeful souls in the City of London who thought they might crawl through the summer without a cash request from the clearing banks. But the £2bn stripped out of the banks' collective balance sheet by the budget was certain to set off a round of rights issues before long. National Westminster has scored a few points off the others by getting in for its £236m first – a few days before the results season when the clearers might generally have been expected to make their touch.

If rising base rates have done nothing else, they have helped to rehabilitate bank shares, giving NatWest more room to elude the underwriting fraternity by pricing its issue at a really deep discount. This may save £3m or more in fees and commissions. Particularly attractive in volatile markets – because it can save the issuer a battle of nerves with the underwriters in *addition to the fee* – it must be admitted that the deep discount approach is not for everyone. Midland, for example, would risk ploughing into the buffers of its £1 par value if it tried to follow NatWest's example of yesterday. Midland is scarcely a runner this season, but the others cannot be ruled out, and the sector will be treated with suspicion until all the tabs have been picked up.

For NatWest itself, the rights money will more or less complete the restoration of its capital base to where it was at the end of 1983. Yesterday's injection returns total assets to 20.5 times shareholders' funds. Not that NatWest is simply trying to put back the financial clock; part of the cash is marked down for new ventures in the London financial markets. These plans could be ambitious indeed; it may be that the Bank of England's capital requirements on primary dealers will turn out to be very tough – or perhaps NatWest really is thinking of buying a life company – but £236m does seem a lot to pay for even the most distinguished gilt-edged broker.



British Telecom

British Telecom's 1983-84 accounts, planned to be the last before privatisation, have been cunningly designed to generate confidence. Contented subscribers (and BT executives) beam out from every page, while the document is packed with exciting figures about the quality of service. On the accounting front, however, BT is about as delphic as ever.

There is no doubt method in its meanness. While the accounts have at last escaped an auditor's qualification, the emergence of a £19m accounting discrepancy in the company's stores during 1983-84 suggests that the books have been hammered into shape only just in time. Yet, whatever the shortcomings of BT's management accounts, the published segmental data is woefully inadequate for a company of such importance on the brink of flotation.

Ironically, the one area in which BT provides a useful breakdown – capital spending – looks anything but reassuring. Overall expenditure on telephone exchange equipment has fallen by 14 per cent, in large measure because of System X delays, and at least half the £288m cash inflow can be attributed to a shortfall on budgeted spending. With dividends and tax soon to make their presence felt in the flow of funds statement, the last thing BT needs is a bunching of expenditure on digital equipment.

Distillers

It takes a truly momentous development in its markets to draw more than the vaguest aside from The Distillers Company about current trading performance. The collapse in Latin American whisky exports did the trick at the interim stage in 1983-84 but there was little on hand yesterday – aside from a press conference, historic enough in itself – to provoke anything much more illuminating than another litany of world consumption trends.

Pre-tax profits of £191.6m for the full year, down from an adjusted £209.3m, have benefited from the relegation of £12m rationalisation costs below the line and this easily reconciles the figures both with general City of London expectations and the forecast £30m downturn in Latin America. But the group's ability to buck these gloomy consumption trends still looks hard to assess.

The size of its problem is as clear as ever. DCL's share of the UK whisky market has slipped marginally lower again, although it would be unfair to expect either the group's lower production costs or its improved UK marketing structure to be paying dividends just yet. Static or shrinking whisky and gin markets in the U.S. will not be helped by higher federal excise taxes now in the pipeline.

But there are undeniably some grounds for optimism. DCL's global advertising budget was lifted 10 per cent last year and export sales to the U.S., especially of gin, are doing well. Above all, DCL's Somerset Importers subsidiary – as well as adding a net £12m or so to pre-tax profits of perhaps £220m this year – looks well set to aid new product launches. Can DCL come up with the products?

Rothmans

Rothmans International, like all brewers of ale and rollers of tobacco, is busily compensating for a mature – through cash-generative – core business through rapid diversification. In the year to March, the non-tobacco interests doubled their contribution to attributable earnings from 14 to 28 per cent and the company is hoping to see that figure rise to 50 per cent in five years.

The 1983-84 results include a full contribution from Cartier and Ronsons for the first time, while another significant acquisition – probably in the leisure sector – looks likely in the current year. But, even if overall tobacco consumption is hardly growing apace, Rothmans is still seeking out new markets and cost efficiencies. Joint ventures are planned for Turkey, India and China, while the 15.8 per cent increase in pre-tax profits to £151.2m is arrived at after charging £24m above the line for rationalisation costs, mainly associated with the closure of the Basildon cigarette manufacturing operation. The market is still taking a typically cautious view of the group's strategy. Even on a fully-diluted basis, the historic multiple was no more than 5.2 times at last night's price of 133p.

NatWest to raise £236m

BY DAVID LASCELLES IN LONDON

NATIONAL WESTMINSTER, Britain's second largest bank, is to raise £236m ($310m) through a novel rights issue. The announcement yesterday caused a sharp sell-off in bank shares because it highlighted the capital needs facing the UK banking industry.

Lord Boardman, NatWest chairman, told shareholders the issue was necessary to fund the bank's business growth and seize opportunities that are opening up in the fast-changing UK financial services business and overseas. The issue was also viewed by British financial analysts as a step by NatWest to repair some of the damage done by last March's budget, which forced the bank to take £650m out of its reserves to meet unfunded tax liabilities and other costs.

The rights issue is one-for-two. But the key feature is a deeply discounted price of 200p compared with the 632p at which NatWest stock closed on Wednesday. The share price fell 27p yesterday to close at 605p.

That gives the issue a scrip characteristic which will sharply reduce the price of NatWest stock – theoretically to 487p, according to the issue document. That brings it below the 500p mark, which is seen as a psychological barrier for small investors. The other three British clearing banks, Barclays, Lloyds and Midland, all trade below 450p.

See Lex, this page; News analysis, Page 23
Stock markets, Section III

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	25	77	Malaga	S	[illegible]	[illegible]	Salzburg	C	17	63
Akrotiri	S	29	84	Faro	S	26	79	Malta	S	27	81	Seoul	[illegible]	[illegible]	[illegible]
Algiers	S	29	84	Florence	S	29	84	Manchester	S	34	93	Singapore	[illegible]	[illegible]	[illegible]
Amsterdam	C	16	61	Frankfurt	S	19	66	Miami	C	30	86	Stockholm	[illegible]	[illegible]	[illegible]
Athens	S	30	86	Funchal	S	22	72	Milan	S	27	81	Strasbourg	[illegible]	[illegible]	[illegible]
Bahrain	S	39	102	Geneva	S	23	73	Moscow	F	25	77	Sydney	[illegible]	[illegible]	[illegible]
Bangkok	S	35	95	Gibraltar	S	23	73	Munich	R	13	55	Tangier	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Guernsey	S	21	70	Nairobi	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Beirut	S	29	84	Helsinki	C	18	64	Naples	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Belgrade	S	22	72	H. Kong	S	31	88	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Berlin	C	17	63	Innsbruck	F	18	64	New York	S	24	75	Toronto	[illegible]	[illegible]	[illegible]
Biarritz	S	30	86	Inverness	C	18	64	Nice	S	23	73	Tunis	[illegible]	[illegible]	[illegible]
Blackpool	C	19	66	Istanbul	F	24	75	Nicosia	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Bordeaux	S	26	82	Jersey	S	19	66	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Boulogne	C	15	59	Jo'burg	S	20	68	Oslo	S	22	72	Vienna	[illegible]	[illegible]	[illegible]
Brussels	C	15	59	Las Palmas	[illegible]	[illegible]	[illegible]	Paris	S	18	64	Warsaw	[illegible]	[illegible]	[illegible]
Budapest	F	21	70	Lisbon	S	20	68	Perth	[illegible]	[illegible]	[illegible]	Zurich	C	22	72
B. Aires	C	14	57	Locarno	[illegible]	[illegible]	[illegible]	Prague	C	18	64				
Cairo	S	37	99	London	C	17	63	Reykjavik	C	9	48				
Cape Town	[illegible]	[illegible]	[illegible]	Los Angeles	S	31	88	Rhodes	[illegible]	[illegible]	[illegible]				
Caracas	C	27	81	Luxembourg	[illegible]	[illegible]	[illegible]	Rio de Jo	[illegible]	[illegible]	[illegible]				
Cardiff	S	24	75	Luxor	[illegible]	[illegible]	[illegible]	Rome	S	28	79				
Casablanca	[illegible]	[illegible]	[illegible]	Madrid	S	28	87								
Chicago	S	20	68	Majorca	-	-	-								
Cologne	S	20	68												
Copenhagen	S	28	82												
Corfu	S	28	82												
Dublin	S	20	68												

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Communists place conditions on support

Continued from Page 1

The Government is also abolishing the 1 per cent special levy on income to finance the country's social security system, which has brought in about FFr 12bn a year.

M Mitterrand declared that tax cuts would not be a one-off exception but become the rule for the rest of his presidency.

The Cabinet also approved at its first meeting the amendments to the constitution to enlarge the use of referendums to include key issues involving personal freedoms. A referendum on these constitutional changes will be held in September.

In their declaration yesterday, the Communist Party said that the pursuit of current government economic and industrial policies would result in the "defeat" of the left in the 1986 parliamentary elections. It said that the policies would lead to an increase of unemployment and further declines in workers' purchasing power, without putting the economy back on the road to recovery.

M Fabius, in a letter to M George Marchais, the party secretary-general, said that he regretted the Communists' decision.

But he added that he had been asked by the President to follow the policies of M Pierre Mauroy, the former Prime Minister, with whom the Communists had been associated. He said he intended to strengthen French industry, fight vigorously against inflation and to seek the basis of long-term economic growth.

M Lionel Jospin, the Socialist Party first secretary, blamed the Communists for the breach, saying the Socialists had wanted the Communists to remain in the Government.

FRENCH CABINET
(Socialist unless specified)

Prime Minister Laurent Fabius; **Planning and Regional Development** Gaston Defferre; **Justice** Robert Badinter; **Economy, Finance and Budget** Pierre Beregovoy; **External Relations** Claude Cheysson; **Defence** Charles Hernu; **Interior and Decentralisation** Pierre Joxe; **Agriculture** Michel Rocard; **Industrial Redeployment and Foreign Trade** Edith Cresson; **Education** Jean-Pierre Chevènement; **Social Affairs and National Solidarity** Georgina Dufoix; **Town Planning, Housing and Transport** Paul Quilès; **Commerce, Crafts and Tourism**, Michel Crepeau (Left Radical); **European Affairs and Government spokesman** Roland Dumas; **Labour, Employment and Professional Training** Michel Delebarre; **Environment** Huguette Bouchardeau (United Socialist); **Research and Technology** Hubert Curien.

Israel likely to close Beirut office

By David Lennon in Tel Aviv

ISRAEL is likely to submit within a few days to demands from the Lebanese Government that it close down the quasi-diplomatic Israeli liaison office near Beirut.

The timing of the Lebanese demand could not have been worse from the point of vew of Mr Yitzhak Shamir's Government, which is facing an election on Monday.

The liaison office is the last vestige of the Likud government's failed attempt to establish a pro-Israeli regime in Beirut after its controversial invasion of Lebanon two years ago.

The hoped-for peace agreement with Lebanon failed to materialise and the liaison office was the last direct, if tenuous, link between the two governments.

Closure of the office means that future discussions of the withdrawal of Israeli forces from southern Lebanon will have to be carried out through third parties.

Israel managed to head off the Beirut government's demands that the office be shut down a few months ago, but seems to have abandoned hope of a similar reprieve this time.

It appeared last night that the Israeli Foreign and Defence ministries had decided to accept the inevitable and they are expected to recommend that the Government close down the office in the very near future.

Clowns in the election campaign, Page 3

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PORTUGAL

Sr Soares' coalition government has shown itself braver at tackling the economy than any of its post-revolutionary predecessors. However, it is losing popularity and must depend on the successful outcome of EEC entry talks to recover lost ground

Photographs for this survey by Ashley Ashwood

From top left, clockwise: traditional farming methods in Minho; the holiday resort, Estoril; Prime Minister Sr Mario Soares; the tasting room at Taylor's Port in Porto; and the Oliveira Ferreira textile factory near Porto

Stepping into EEC line

By DAVID WHITE

THE ONSET of summer, which hits Lisbon like a hot wet rag, did not arrive until well into June and was greeted with tremendous relief.

The political difficulties of the ruling socialist-social democrat coalition, which had brought rumours of a Cabinet reshuffle, an ultimatum from the junior coalition partner, and a confidence vote in parliament, have now been put off until the autumn.

However, Portugal's political indisposition had one hiccup left in store — the surprise arrest of Lt-Col Otelo Saraiva de Carvalho, the best-known left-wing protagonist of the April 1974 revolution, on charges that his tiny political party was linked to an urban guerrilla organisation, the April 25 Popular Forces.

The commotion around his arrest and confinement in Caxias Prison, one of the sinister symbols of the old Salazar regime, may prove to be only a brief episode. The unpredictable "Otelo" has got himself arrested before. But the turn of events, and the publicity given to the guerrilla phenomenon itself, in a country largely unaccustomed to terrorism, has an unsettling effect, at a time when many Portuguese are showing discomfort, not only about the economy, but about political life.

Political uncertainty now looks like reaching a head just as Portugal ties up its negotiations for joining the EEC. Five years after they started, entry talks now appear almost certain —following the successful outcome of the EEC's Fontainebleau Summit last month — to be finished on time by the end of September.

Between then and the beginning of 1986, when Portugal and Spain are due to become members, Portugal could well have not only the two elections that are already scheduled for 1985 — local and presidential — but general elections as well.

Big improvement in external accounts

This outlook should not necessarily be construed as failure for Sr Mario Soares' government. If it lasts until the end of 1985, two and a half years into its four-year term, it will have set a record for modern democratic governments in Portugal. No government *since 1974 has lasted its* full term. Moreover, this will go down as the government that has most laid down the law to the Portuguese about economic realities and driven home the lesson that money doesn't grow on cork-trees.

The figures for Portugal's external accounts, which became quite alarming under the previous centre-right coalition, have improved dramatically. It has been a cold-shower treatment, with the Government holding the nozzle and the IMF working the tap. The current account deficit this year is expected to be barely a third of what it was in 1982, the growth of foreign debt (still well over half of annual Gross Domestic Product) has been brought under control and the budget deficit burden has been reduced.

Sr Ernani Lopes, the independent brought in to mastermind the economy, is essentially a technocrat, a taciturn and religious man, who does not care too much about image or popularity. If the economic programme has so far been carried out with determination, the political management of it has been less felicitous.

"They are destroying the economy to save the country's finances," said a former member of the now-extinct Military Council of the Revolution. It was a hyperbole, but represents a current of reaction to unmitigated monetarism.

While exports are thriving, not only in traditional goods such as textiles, but also in what, for Portugal, are considered modern sectors, such as petrochemicals and car components, the domestic market is extremely depressed.

Real wages, in a country where per capita income is half Spain's and less than a third of the EEC average, will probably have fallen in 1983 and 1984 by a total of about 20 per cent. Thousands of workers have not been receiving their wages on time. The delay may be weeks or months but, according to union officials, has sometimes reached as much as two years.

Unemployment, for which the union figure is about half a million, or just under 12 per cent of the workforce, is considered to be within manageable proportions but a larger number are in precarious employment.

The most emotive issue today is that of hunger. The very word makes Sr Soares sore. The Government has set up an emergency programme in the hard-hit industrial centre of Setúbal, but Sr Soares' supporters are convinced that the extent of real privation is being exaggerated for political ends.

The Communist-led CGTP, which represents the bulk of unionised workers in Portugal, claims at least 30,000 people in Setúbal alone are suffering serious hardship and that acute problems have surfaced in several towns north of the capital: Santarém, Leiria, Castelo Branco and Oporto.

Signs, the union says, include a resurgence of tuberculosis, malnutrition diseases, and the number of families selling all their belongings or sending children away to relatives.

Slogans have appeared on the walls of Lisbon accusing the Government directly: "Soares equals Misery, out with them!"

Sr Soares is of course right when he accuses the Communist Party of exploiting this highly-charged issue. But the church has corroborated some of the evidence, and it would be a mistake if Sr Soares were to allow his old enmity with Portugal's intractable, Moscow-line communists to obscure whatever real problem is there.

Opinion polls blow for Sr Soares

Some contend he may already have made a serious gaffe in excluding from this year's tenth anniversary celebrations of the "revolution of the carnations" both the communists and the armed forces, whose revolution, after all it was. This permitted the embryonic movement seeking to give a more prominent role to General Antonio Ramalho Eanes, the President of the Republic, and the communists a chance to mobilise support outside the official ceremonies.

While maintaining a high profile in the Socialist International, Sr Soares' standing has been slipping in the opinion polls. His Socialist Party has fared worse out of the first year of government than its partner, the PSD, while the communists have held their ground and the Christian-Democrat CDS gained some.

The underlying crisis that has emerged in the coalition comes not, as might have been expected, from the Socialist Party in reaction to economic policies, but from the PSD. In government, in one way or another, for almost five years, the PSD has not found a leader to replace Francisco Sá Carneiro, the prime minister who died in an air crash in 1980 and who had come to symbolise a kind of political confidence. Sr Carlos Mota Pinto, deputy prime minister and defence minister, is so far holding on as party leader but his position is far from safe.

In addition to having an insecure coalition partner, Sr Soares has to make his decision whether to stand for the presidency, which would imply stepping down as prime minister —a decision he may be able to put off until next year. The outcome of the presidential elections, in which General Eanes cannot run again, is far from a foregone conclusion, especially if another military candidate were to be proposed.

Sr Soares would, however, be able to campaign on the basis of having succeeded in bringing Portugal into the EEC, for which, despite resistance by industrialists who fear the loss of protection, he has overwhelming backing.

Speculation is bound to rise in the autumn about whether and how soon Sr Soares will leave the Government, thus making it quite uncertain what kind of government Portugal will actually be entering the EEC with.

Possibly, in the interim before an election, Portugal might return to another stop-gap spell of "presidential" government, with a prime minister chosen from among Gen Eanes' entourage—an arrangement for which the rules of operation are rather unclear.

Meanwhile, manoeuvres continue around the figure of Gen Eanes himself, whose main card is not oratory or brilliance but an image of moral rectitude and personal austerity. At the same time, another organisation, the Movement for the Furthering of Democracy (MAD), originally also formed around personalities connected to the President, to which Sr Soares attaches the epithet "nebulous," is waiting in the wings for the coalition to fall.

These movements are attempts to revive populist politics on the basis of disillusion with the political class. Many Portuguese declare themselves unhappy with the system of four main parties as it now stands, for which every combination has so far been tried except one including the Communists.

The Soares Government managed to sustain its image for its first six months in office, but has since seen it deteriorate, and now has to count on the successful conclusion of EEC negotiations to recover lost ground.

What Sr Soares dreads is that Portugal, after the first decade of democracy in more than half a century, should be overtaken by chronic instability and agitation, the "vicio italiano." If EEC entry helps to restore confidence, it will have done a lot to make that democracy more workable.

Design and editorial production of this survey by Mike Smith.

The U.S. connection

Washington held in high regard

ANYONE who had been willing to bet in 1974 or 1975 that Portugal's military and economic links with the U.S. would still be intact 10 years later would have obtained long odds and probably a few odd looks. But there it is.

For all the vicissitudes of Portuguese political life in the post-dictatorship years, the country's attachment to Nato and its close bilateral relationship with Washington have remained remarkably constant.

Sr Mario Soares, Foreign Minister in the early days and now Prime Minister, would have it that this has to do with simple geography, and that it is only natural that Socialists in Portugal, in the "far west" of Europe—the European country physically closest to the U.S., and for that matter farthest from the Soviet Union—should have a different perception from Socialists in Greece.

Certainly, Portugal takes a much less ambivalent stance towards Nato than either Greece or Spain, and gets comparatively favourable compensation for its U.S. facilities. Of the four southern members of the alliance which have military aid agreements with the U.S., only Turkey receives more in outright grants.

U.S. facilities at the Lajes air base in the Azores provide an important staging and supply post for U.S. operations in Europe or the Gulf. This importance was demonstrated during the 1973 Middle East war, when the Caetano regime allowed the Americans to use the Azores for refuelling supply flights to Israel—thereby incurring an especially punitive oil boycott by Arab producers later on. The base is also considered highly valuable for Nato in the development of airborne anti-submarine warfare.

Although Portugal's constitution, echoing the mood of its revolutionary officer corps, still calls for "the dissolution of the big politico-military blocs," the Government maintains a firm commitment to Nato and supports its missile policy (although not to the extent of deploying any in Portugal). With Iberian Atlantic (Iberlant) command headquarters just outside Lisbon, Portugal is anxious to maintain a significant role whatever part Spain eventually plays in the alliance.

Equally, while being accused by some, such as the early post-revolution prime minister Gen Vasco Gonçalves of "selling national sovereignty to the U.S. for a handful of dollars," Sr Soares has tended his relations with the Reagan administration. He visited the U.S. at the height of his election campaign last year, and again in his prime-ministerial capacity in March.

Authorisation

The Lajes base agreement was renewed last December. In addition the U.S. has received authorisation from the Portuguese Government to build and operate a satellite tracking station in southern Portugal, its first mainland facility. This deep space surveillance system, part of a world-wide network, will employ 55 U.S. personnel, including civilian technicians, and is due to be located at Almadóvar in the Algarve, where the Portuguese authorities are still in negotiation with farmers over the land.

With the U.S. also having renewed its agreement on air and naval bases in Spain, there is no plan at present for further mainland facilities, although the possibility of U.S. access to another base on a contingency basis is kept open for the future.

Sr Soares tends his relationship with President Reagan carefully. Above: the two leaders together at the White House earlier this year

The U.S. facilities are in addition to those used by West Germany at Beja and a French missile tracking unit at Flores in the Azores.

The Reagan administration is seeking Congressional approval for a $10m increase in the military assistance grant to Portugal in fiscal 1985, raising it to $70m, a similar increase in military credits, with its improved terms, to $55m and a doubling in its economic grant to $80m.

Most of the economic assistance tied in with the agreement has been devoted to development of the Azores.

The doors to the Azores were opened during the Second World War—in which Portugal remained neutral — when Britain obtained an agreement from Salazar on the use of the islands. The present U.S. agreement dates from 1951 after the setting-up of Nato.

Portugal was one of the 12 founding members of Nato in 1949, and, although Salazar dissented from the democratic principles of the other allies, its membership became a cornerstone of international respectability (Franco's Spain was not regarded as eligible).

Despite some friction over Portuguese policy in Africa, pre-revolution Portugal was a compliant enough U.S. ally, with the CIA collaborating with the feared secret police, the PIDE.

At the time of the revolution, the U.S. is reckoned to have had close to $200m in investments in Portugal, but the impact was nothing like that of the Allende Government's nationalisations in Chile.

As a way of supporting the more moderate post-1974 factions, the U.S. pumped in technical assistance and provided help in modernising the Portuguese armed forces. This was for two evident reasons: first, to bring Portugal, which had had a large conscript army fighting colonial wars, up to Nato standards, and second, to give its soldiers a sense of their professional, rather than political, role.

Co-operation

U.S. assistance included infrastructure projects such as schools and dispensaries—but, with no new funds available, this phase is now drawing to a close. As a way of continuing technical co-operation a Luso-American development foundation is in the process of being set up, which could channel the share of the U.S. economic grant which does not go to the Azores.

The emphasis has now switched to trade and investment. ITT and other U.S. companies have investments estimated at $500m in Portugal, which would have been tripled if Ford had not, last year, shelved its plans to produce cars at Sines for export.

Once U.S. banks have been permitted to establish branches, Portugal is hoping to attract U.S. industrial ventures geared to the EEC market, which it is due to join in 18 months.

U.S. authorities are also trying to encourage commercial links to help ease a built-in Portuguese deficit. U.S. sales to Portugal last year, at more than $1bn, were four times what Portugal sent in return.

The U.S. is Portugal's biggest single supplier, but as a market for Portuguese goods is no more important than, say, the Netherlands.

However, Portuguese exports—which in sectors such as shoes and textiles are not perceived as posing the same disruptive threat as those of Asian producers—have improved sharply in recent months, with a 90 per cent increase in escudo terms in the first quarter of this year.

After a good 450 years during which their captains have been sailing to the other side of the Atlantic, the Portuguese are now making new discoveries, the landmarks of which are such events as the last spring promotion at Bloomingdales.

David White

The Spanish connection

Economic disparity breeds resentment

LIKE THE roads and railways that cross Portugal's only border, telephone connections with Spain are not very good, and lines quite often get crossed.

You have to look no further for either a literal example or a metaphorical description of the Portuguese-Spanish relationship. Even when the best intentions are declared at both ends of the line, something goes wrong.

The difficulties are not for lack of political common denominators. Dr Salazar and Gen Franco overlapped for 30 years. Both countries applied to join the Common Market in 1977 and both will probably be in in 1986. For just over a year, both—for the first time ever — have socialist prime ministers. Sr Mario Soares and Sr Felipe Gonzalez (although there is a rivalry between them for an international statesman's role, particularly in Latin America) are friends of long standing.

But the Salazar-Franco treaty of friendship and non-aggression was little more than a courtesy between dictators. The EEC negotiations have seen a revival of Portuguese fears about subordination to Spain, and the Soares-Gonzalez connection has come up against what the former euphemistically describes as "only two" problems—disagreements over fishing and trade, which a summit in Lisbon last December did not even begin to solve.

On a popular level, relations are less Iberian than Siberian—at least viewed from the Portuguese side. The one-sided resentment felt by most Portuguese towards their economically more successful neighbours is similar to Spaniards' rancour towards France, an automatic suspicion that is more something they grow up with than a response to any concrete threat.

A frequently quoted proverb from the Alentejo region goes: *"Da Espanha vem nem bom vento nem bom casamento"* —"from Spain come neither good winds nor good marriages."

The "marriage" part goes back to a series of unions between the royal houses in the early 16th century, which enabled Philip II of Spain to annex the Portuguese crown.

National identity

The whole national identity of Portugal—which a year from now celebrates the 600th anniversary of the Castilian army's defeat at Aljubarrota—is bound up with being the only part of the peninsula to have escaped Castile's expansion. However, over the centuries, the two countries have really had very little to do with each other. The border, although not very easily defensible, has hardly changed and is undisputed, with the exception of one town, Olivenza, or Olivença, a few miles on the Spanish side of the Guadiana River (where, typically, the bridge is broken), which was Portuguese for six centuries up to 1801 and which a certain lobby of Portuguese—notably the late former Prime Minister, Admiral Pinheiro de Azevedo—have claimed back.

Few Spaniards bear any active grudge towards Portugal. Portuguese bullfighters—an exotic sight to Spanish fans—were warmly received at the opening of this year's Madrid Corrida season. You can find enthusiastic lusophiles, among them Sr Farnando Moran, the Spanish Foreign Minister, whose favourite foreign places are Lisbon and London. But few know Portugal at all. What the Portuguese mind most, when they are not being ignored by Spanish politicians, is being patronised by them.

Ordinary Portuguese say they cannot even stand the sound of Castilian Spanish. Portuguese cultural life makes way for almost any influence more than Spanish, although many people in the border regions tune in to Spanish TV and Portuguese television has had to produce its own version of Spain's worst variety-cum-quiz show.

On an official level, the two countries go through the motions of co-operation, for instance in defence. As a survival from the defunct Iberian pact set up by Salazar and Franco, the military general staffs hold meetings once a year—the last one was in April—but little ever emerges about the discussions.

PORTUGAL'S TRADE WITH SPAIN

	Portuguese imports from Spain cif (Es bn)	% of total imports	Portuguese exports to Spain fob (Es bn)	% of total exports	Balance (Es bn)
1982	45.37	6.0	11.71	3.5	−33.66
1983	44.74	5.0	20.07	4.0	−24.67
% change	− 1.4		+71.3		−26.70

Talks on the fishing and trade disputes have meanwhile failed to bring any sign of a breakthrough so far.

The fisheries row—in which the Portuguese feel severely disadvantaged both by the relative capacity of their fleet and by an uneven deal on fishing grounds—is bitter and marked by frequent incidents at sea.

Spain bases its rights on a 1969 treaty valid until 1989, which gives its fishermen access to the zone between six and 12 miles off the Portuguese coast. Arguing that the treaty is unfair, the Portuguese are intent on recovering the exclusivity of their 12-mile zone and establishing balanced mutual fishing rights in the 12-200 mile area, with a reserve, in their own waters, on the cigala or mantis-shrimp, a local speciality.

A Spanish offer to buy part of the Portuguese catch as an offset for fishing inside the 12-mile limt was rejected by Portugal, which insists that the exclusivity of this zone is not negotiable.

Commercial relations, which are governed by the conditions of Spain's 1979 agreement with the European Free Trade Association (Efta), are characterised by a structural balance heavily in Spain's favour and by Portuguese barriers erected to reduce it.

Spain's exports to Portugal are led by machinery, Portugal's to Spain by raw materials, especially for the paper industry. But Portuguese sales of food products and chemicals have been rising sharply while imports of the same items from Spain have been cut back.

Artificial

Government officials in Lisbon admit that the improvement in their trade balance with Spain is "partly due to artificial reasons." But they point out that Spain, which is seen as a natural market for Portuguese textile and other goods, is itself "not traditionally very open and liberal."

The restrictive import policy imposed from 1982 was strongly felt last year. Spain, which was already only in fifth place among Portugal's suppliers, dropped to number six. Imports from Spain dropped 1.4 per cent in escudo terms to Es 44.7bn — a fall of some 30 per cent in dollars — and in chemicals Spain lost half its import market share, which fell from 10 to 5 per cent.

Exports to Spain meanwhile rose 71.3 per cent to Es 20.1bn, elevating the Spanish to number seven in the list of Portugal's customers.

As a result, Portugal's deficit came down by over a quarter, but it is still larger than the sum of its sales to Spain and one of the largest it has with any country. Among non-oil countries only the U.S., West Germany and Italy had bigger surpluses with Portugal.

Last month's EEC summit in Fontainebleau, which cleared the way for completion of Portuguese and Spanish entry negotiations, has begun to disperse one other important cloud over relations—Portuguese fear of having its membership held up purely because of Spanish problems, Portugal is likely to complete its negotiations first, with Spain hoping to lag not more than a few weeks behind, in order for them to join in unison.

Sr Soares expresses the hope that the fishery issue, so far the nastiest obstacle to Spanish-Portuguese harmony, will somehow be solved in the EEC context.

However, the Iberian Benelux favoured by Sr Gonzalez still seems a long way off.

Even the word Iberian is distasteful to the Portuguese, who find it smacks of Spanish hegemony. They prefer Luso-Spanish.

"Wouldn't it be a pretty sight," a Spanish TV commentator declared as Portugal led France in extra time of the European football championship semi-final last month, "if there were to be a completely Iberian final." The Portuguese would not have liked that way of putting it. And in any case, alas, it was not to be.

D.W.

The economy

Operation a success but patient needs respirator

FIRST THE medication, then the surgery. A year into its term and into its 18-month emergency programme for stabilising the country's accounts, the Soares coalition government has just drawn up the next stage in its plan, involving structural changes in the weak points of the economy, to be carried out over the next three years.

The treatment the Portuguese have let themselves in for is not going to be rapid, and it has become clear that the depression accompanying the series of operations risks being deeper than foreseen.

The new financial and economic recovery programme, to which the final touches were being put as this survey went to press, contains some more painful prospects, including more far-reaching cutbacks in the state sector and measures which will force some limping companies into bankruptcy.

The promised third stage, a modernisation programme geared to EEC membership, is due to be ready by the end of the year, with many Portuguese, including the middle classes, wondering when they are going to be out of the woods. The question is no longer whether the Government can achieve its financial targets—it has proved it can—but whether such a drastic line is politically sustainable.

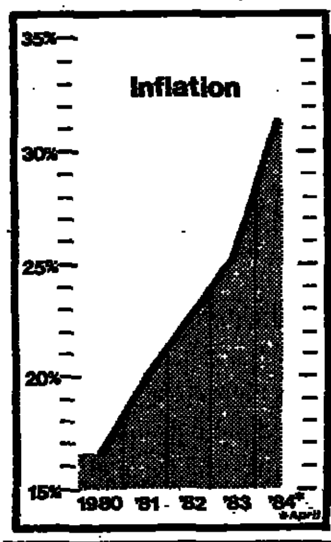
Still a not very industrialised country, and still in the process of adapting from decolonisation and from a highly protectionist economic system, Portugal is paying a high price for the extravagance of previous democratic governments.

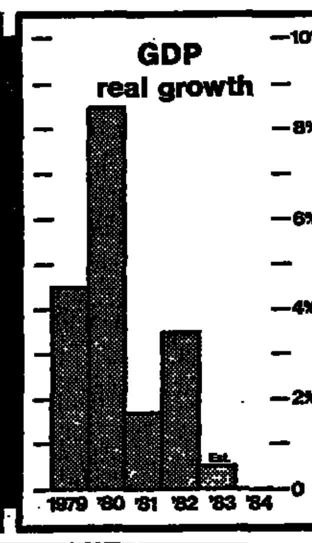
The period since the April 1983 elections has brought a devaluation, an uncompromising agreement with the International Monetary Fund, the end of many price subsidies, a restrictive budget and an extraordinary income tax.

Real wages, according to senior government economists, came down by 9 per cent last year, including the effect of the special tax, and are likely to be 10 per cent lower at the end of the year. The domestic market, for which a 5 per cent shrinkage was programmed for last year, is reckoned to have suffered a reduction of at least 7 per cent. The economy as a whole is scheduled to suffer a 1.5 per cent decline this year, but some think the figure may be higher.

The IMF agreement, Portugal's second since the 1974 revolution, aims at a strong improvement in the country's external accounts and commits the Government to a programme of monetary and budgetary restraint.

The drop in the domestic market has already helped bring a sharp reduction in the external deficit. Import demand is limited and Portuguese producers have turned to seeking more export outlets, where the escudo exchange rate—moving by a crawling peg system of 1 per cent a month—has made them more competitive.





Exports in the first quarter rose by more than 10 per cent in dollar terms, with imports sharply down. The ratio of exports to imports was more favourable last year than at any time since before the revolution, and if the first quarter's performance were kept up would be the best this year for 15 years. Quarterly current account figures show a deficit of $351m, less than half the previous first quarter's shortfall, and the result for the year is expected to be within the $1.25bn target set out in the IMF letter of intent.

The programme also marks the first really determined effort on budget restraint. In the 1978 IMF agreement this part—what with a vigorous recovery on the external front—was never fulfilled. The review of the current IMF package, which was finally completed last month, introduces for the first time the concept of a wider public sector including state companies, whose deficit is not to exceed 14.5 per cent of gross domestic product.

It is in the private sector that the biggest problem is foreseen. Projected measures will stop companies holding back wages to avoid bankruptcy

The aims set out in the letter of intent for last year were mostly achieved or exceeded. The current account deficit was well within the $2bn target at $1.7bn, after rising to $3.2bn the year before. As a result, Portugal's foreign debt rose by $721m instead of $1bn, to $14.4bn, an annual rate of increase brought down from almost 25 per cent to 5 per cent.

With around $10bn in the country's reserves this has succeeded in exorcising the spectre of a Latin American-style debt crisis. The targeted growth this year is 6 per cent to 13.3bn.

The Government deficit at 9 per cent of GDP was also within the limit laid down in the IMF package. GDP itself, set on a zero growth course, in fact declined by 0.5 per cent.

The one recalcitrant factor in all this is inflation, swollen by the big price increases for basic products. Last year it accelerated to reach 34 per cent in December. This year, decelerating, it is expected to come down to around 23 per cent, as against a 20 per cent target originally agreed with the IMF. But the monthly average over the year is expected to go up to about 29 per cent for 1984, compared with 25 per cent in 1983.

Last month's overdue agreement on the review of the IMF package makes minor concessions to Portuguese requests for greater flexibility, releasing some funds for public sector investment and allowing a slight reduction in interest rates.

The agreement, after three months of negotiations, unblocks the second tranche of the IMF's $480m facility and opens the way for a new syndicated bank loan of $400m.

The structural programme, which coincided closely with conclusion of the IMF talks, covers five key areas:

- The nationalised companies, due to come under tighter government control through a new interministerial secretariat;
- The problems of undercapitalised companies in the private sector;
- Regional policy in order to be able to obtain EEC regional funds;
- Banking reforms, to increase the sophistication of financial markets; and
- Tax reforms, to begin to tackle a complex structure, which is reckoned to have many more taxes than are justified by receipts and which has to take on in addition, from next year, the first phase of VAT.

In the 50-odd non-financial state companies, the Government plans to introduce a system of contract-programmes and to restructure the chemical, steel, shipbuilding industries and the urban, air, rail and sea transport sectors. After shipyard cutbacks already announced, more action is planned to trim loss-makers, redirect investments, reorganise debt and capital structures, introduce modern technology and improve marketing.

However, it is the private sector that Sr Ernani Lopes, the Government's economic supremo, sees as the biggest problem. Measures foreseen in the programme include improved facilities for salvaging companies in difficulty and changes in bankruptcy procedures in order to end the present anomalous situation where many companies hold back wage payments rather than file for bankruptcy.

The Government wants to plough not only much-needed capital into private companies, almost all family-owned (there are currently only 23 companies quoted on the Lisbon stock market), tend to prefer to stay small and not very transparent, and the dearth of competent middle management is notorious. At present, only multinationals are regarded as being able to train managers. There are, of course, highly able Portuguese executives who turn up abroad, the problem being how to get them back.

One of the drawbacks in Portugal's strict-diet treatment is that the country is not getting the investment it needs in new products and areas in order to secure an industrial slot for itself in the EEC.

Foreign investors meanwhile are offered competitive incentives but in a dispiritingly complex and bureaucratic array, and Portugal so far appears to be losing the race to Spain in obtaining investments — especially in consumer sectors — geared to forthcoming membership of the Community.

David White

Lisbon's little old lady with a knack of creating interest

IN THE rare published photographs of her, she has her white hair done up in a bun, wears tinted spectacles and displays a prominent buck-tooth. She is small and stout. In her seventies, Maria Branca dos Santos—Dona Branca—could be anybody's Portuguese aunt.

Portugal is a country where the virgin of Fatima belongs to living memory, and it still goes for miracles. Dona Branca's miracle is this: she offers interest at 10 per cent a month, 120 per cent a year if the saver takes his investment income, 313.8 per cent if he leaves it to accumulate, or 10 times what he would get on a term deposit at a bank.

Though Dona Branca claims to have started learning her financial wizardry at the age of 14, her semi-clandestine operation started becoming public knowledge little more than a year ago. Now every housewife and taxi-driver talks about her. Working from central Lisbon, she has a network of agents, thousands of depositors all over the country, and has never been known not to pay.

There are at least three theories as to how she does it. One, which she firmly denies, is that she is a front for underworld dealings in arms or drugs. Another is that she manages to obtain even more exorbitant interest in extremely short-term lending: at the casino in Estoril rates of 10 per cent a day are said to have been paid.

Perplexed bankers

The other explanation, to which Portugal's perplexed banking authorities seem to subscribe, is that the system works like a chain letter, with those at the top of the list paid out of the new deposits from those at the bottom. In such cases it is always the last ones in who get burnt, and the Government has begun to sow worry among depositors by closing in.

One senior government figure described the Dona Branca phenomenon as "a house of cards," but refused to give any indication of how much money might be involved.

The problem for the police and the Bank of Portugal has been finding grounds on which to bring a prosecution or close Dona Branca down. The old lady claims she does not receive deposits but loans. *While professing that* "secrecy is the soul of business," she takes certain precautions. She does not accept foreign currency or jewellery, and customers have to have a *recommendation.*

In the philanthropic image she cultivates, she is "the people's banker." A Lisbon weekly last month published a special edition about her and had to organise a re-print when the 180,000 copies were instantly sold out.

The popularisation of the Dona Branca myth has been especially galling to the Government as it is in the process of reforming and opening up the banking system, nationalised in 1975. Just as the corsets were being adjusted to suit the more standard western fashion, Dona Branca burst out of them.

A graffiti artist chose the wall of a state-owned bank to inscribe the following verse:

Banca privada há só uma,
Dona Branca e mais nenhuma!

or, freely translated:

The only private bank today, Dona Branca rules OK!

D.W.

Tourism

Success of the Algarve spreads north

PORTUGAL'S TOURISM industry has firmly put behind it the bad memories of the years following thet 1974 revolution and is now moving from strength to strength as foreign visitors cross its borders in record numbers.

The recovery has far exceeded official expectations, and the record earnings for the sector last year of Es 91.9bn will probably again be exceeded by the end of 1984, thereby reinforcing tourism's role as a vital source of foreign exchange in a debt-troubled country.

A total of 8.8m foreigners visited Portugal in 1983, a 21 per cent rise over 1982. The influx was aided by a 12 per cent devaluation of the escudo during the year, and the continuing strength of virtually all European currencies against the escudo. Of even more importance was the extraordinary strength of the U.S. dollar in Portugal—U.S. visitors, though fewer in numbers than their European counterparts, always are the biggest spenders.

Numerically, the biggest boost came from Spanish visitors, who poured over the borders in record numbers. Their numbers increased by 25.9 per cent in 1983 over 1982, with 6.5m making visits to Portugal, albeit most of them of the "day trip" variety.

Britons continued to be Portugal's most valued tourists, with 629,000 entering the country last year, 10 per cent more than in 1982. While most still use package tours, an increasing number are staying longer or, indeed, are in semi-permanent residence, because of the growing attractiveness of villas and apartments along the Algarve coast.

Germany and France followed, with 355,000 and 327,000 visitors respectively, the German numbers increasing by 22 per cent and France's by 13 per cent.

U.S. tourists, at 186,000, were up 21 per cent and those from the Netherlands at 156,000 were higher by 20 per cent than in 1982.

To some extent the crush has been relieved by the spread of the tourist intake on to the spring and autumn "shoulder" periods through promotion of sports and recreation holidays and, of course, villas.

But there are other beneficiaries of the boom. The Lisbon coast has ridden happily on the coat-tails of the Algarve success, and tour operators increasingly include a range of tour options for the resort area around the Tagus River estuary, which now extends miles beyond the up-market gambling resort of Estoril.

Spill-over

The spill-over is also beginning to boost hopes for the country's less-travelled regions, such as the Costa Verde, extending roughly from Oporto on the Douro River, 200 miles north of Lisbon, to the Spanish border another 100 miles away.

The Costa Verde, or the Green Coast, has been a particularly tough challenge for tour operators, hoteliers and innkeepers for more than a decade, *particularly since the first oil* crisis of 1974 put an end to a once-lucrative cruise business.

Unmistakably the garden of Portugal — virtually every property outside the industrial city of Oporto seems to be wreathed in trellised vines—is now *beginning to develop* an up-to-date touristic infrastructure to compensate for the loss.

The Government has in recent years built up the region's pousadas, Government-owned historic inns, villas and stately homes that have been restored and turned into modern hostelries. There are some 30 dotted around Portugal, all in the interior and accessible only by car. Most have anywhere from a half-dozen to 30 rooms and five of the most commodious are in the Costa Verde.

The pousada programme was the first major, post-revolution example that the Government was taking seriously the country's national heritage and recognising the potential that could accrue from properly exploiting it.

While the Costa Verde does not have the beaches of the Algarve, there are attractive sandy stretches running from the well-established resort community of Ofir, 50 miles north of Oporto, northwards through the port and tourist town of Viana *do Castelo and along* the coast towards Spain.

In crowded Oporto itself, a major effort has been made to add new hotels and expand existing capacity. This year, two hotels, the Ipanema and the Boega, with 140 and 126 rooms respectively, have been opened, with a Meridien scheduled to open later this year, and another thousand rooms to be added in new hotels in the next few years.

Yet tourism representatives acknowledge that the north is still in its infancy compared with the south.

Picturesque

The Douro Valley, for example, the home of port wine and one of the most picturesque wine-growing regions in Europe, is still largely restricted to same-day coach trips from Oporto's hotels. Inns and lodges need to be built within the valley itself to attract longer-term tourism, although next year boat trips up the river from Oporto are being planned.

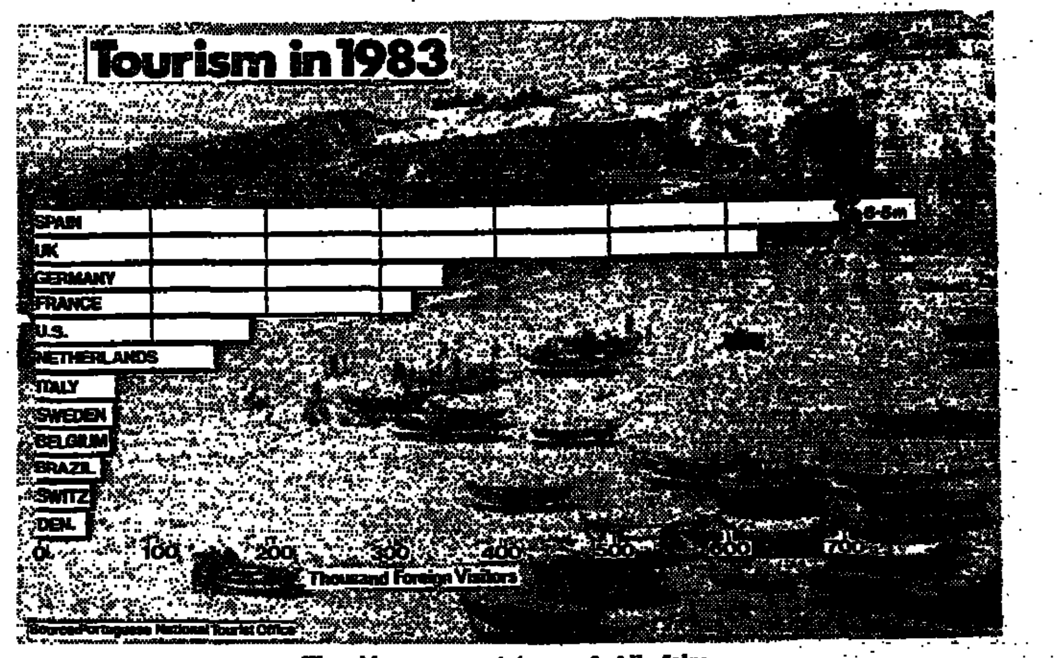
A more serious shortcoming is the lack of proper motorways between Oporto and the coast and such historic towns in the interior as Braga, Guimaraes, and Braganca. While the state of the roads is not critical, they are not capable of handling both industrial and tourism traffic adequately during peak periods.

Both tourism and industry officials hope that the return to a comparatively stable government, for the first time since 1974, will result in more state money for road development.

While picturesque Viana do Castelo on the Lima River has had major new port facilities added in recent years, it is still uncertain if it will win out in its bid to attract a scheduled Brittany Ferries passenger *service*.

It has been in talks for more than a year with the French-based company, which is also considering a service to the nearby Spanish port of Vigo to amplify its Plymouth-to-Santander operations. If the Portuguese city gets the nod, then seaborne tourism will once again be coming to the north for the first time in more than a decade.

Frank Gray



The Algarve resort town of Albufeira

Industry in the north

State 'meddling' under attack

"PLEASE, spare us any mention of so-called Government plans for the north."

The remark, made by a senior official of the Oporto Industrial Association, northern Portugal's private industry trade organisation, succinctly summarises the business community's attitude towards the central government in Lisbon.

The government, not only that of Sr Mario Soares, but those *of his many predecessors* in the decade since the 1974 revolution, is accused of profligacy and waste—as a perfect example of how not to do business.

As a result, northern business leaders take a dim view of Lisbon cabinet ministers who, from time to time, announce plans for improving the industrial infrastructure of the north. They point laughingly to the case of tiny Oporto Airport.

Frequently subject to closures because of a high incidence of fog, the airport had a special air navigation system installed several years ago, but the system still remains inoperative due to red tape.

The northern third of the country, revolving around Oporto, the country's second city after Lisbon with a growing population of 1.5m, is home to half the country's population of 10m, and is Portugal's private sector heartland.

Independence

Northern industries have managed to survive the swings and roundabouts of political instability, with the result that unemployment in the region is claimed to be about half the national average of 11 per cent. While the Portuguese economy, dominated by state-run companies, is forecasting negative growth this year, the private sector will advance, largely because of those companies with a strong export orientation, such as textiles and footwear concerns.

Despite northerners' fierce sense of independence and disaffection with the Lisbon Government, no one is proposing any kind of devolution; corporate leaders know they must live with their Government's decisions, good or bad. As one businessman put it: "We will provide the motor for recovery, if they (the Government) provide the fuel."

Nevertheless the Industrial Association says the downturn in investment is still a problem, at least by those companies heavily reliant on the domestic market. Private-sector profitability among the association's 1,000-plus members remains elusive, and few will actually claim to be in the black.

The most pressing obstacles to recovery are easy to identify.

● Interest rates are 31 per cent for short-term loans; this becomes 46 per cent in reality because of a ruling that the interest on the loan be paid at the outset. Hence for every £1,000 borrowed, £310 is deducted immediately by the bank, with the rest repayable over 90-180 days. The measure goes back decades when interest rates were 1 or 2 per cent; but with the serious economic crisis it has become untenable to most borrowers.

This has encouraged the creation of a busy black economy, simply because the small borrower is cut off from any official borrowing activity. Some large corporations are reported to have threatened to withdraw their deposits unless they can get preferential loans for themselves or their clients.

● The Government has not succeeded in bringing inflation under control, in spite of the austerity-higher taxes and import curbs — introduced by the Government at the bidding of the IMF. The currency devaluation of 12 per cent last year is cited as one reason, as is the continuing weakness of the escudo against other currencies. This is a particular impediment to those companies who rely on imported raw materials and components.

● Labour legislation has yet to be implemented that will allow companies to easily dismiss employees. Existing law makes it virtually impossible to trim unproductive employment in any but the most extreme circumstances. Many companies claim they were overstaffed by up to 30 per cent, and are trimming their workforces through attrition. There is widespread doubt that the Soares Government, with its Socialist orientation, will introduce such a reform, in spite of pledges to do so.

Sr Georg Hoffmeister, the head of Grundig Electronics, the Portuguese subsidiary of the German electronic consumer goods company, has called for labour reform in order to help prepare Portuguese industry for the increased competition that will come from eventual membership in the EEC. Failure to do so will simply make it more difficult for foreign concerns in Portugal to protect their investments, he says.

Soares da Costa, the largest private sector company in Portugal, and the country's leading construction group, provides a good example of how Government policies can affect business.

Last year, the company saw its revenues tumble to an equivalent of $123m from the 1982 level of $201m. While some 35 per cent of its business was earned abroad—a new departure since it did virtually no overseas business as recently as 1979—some 60 per cent of its domestic revenues came from government contracts.

A crippling blow was struck last year with the emergency freezing of all public building programmes.

"The tap was turned off completely," says Sr Alexandre Vasconcelos, "and then turned on again very slowly. We have taken what drops we could, but there hasn't been much."

The situation is expected to be the same for 1984, though some help could be on the way as a result of provisions for public works programmes contained in the Government's latest debt talks with the IMF.

Those sectors at a virtual standstill are schools, hospitals and public housing. Major road projects, long on the drawing boards and a major source of concern by the private sector, will remain frozen for several years, though some projects, such as the Braga-Oporto motorway in the north, and roads in the Algarve, are going ahead.

These setbacks are to a small degree offset by the tourism boom and the hotel and vacation villa construction it is engendering, as well as strong private sector activity in luxury and middle-class housing starts, largely prompted by emigrants' remittances, which last year amounted to $2.1bn.

A particular sore point is the Government's slowness in paying bills, often leaving Soares da Costa with a serious cash-flow crisis to meet its own Es 300m monthly wage bill. Yet by force of law the company must pay its taxes and national health contributions every quarter and on deadline.

At Efacec, the motor, switchgear and electric transformer manufacturer, Sr Sabino Marques, the new director general, predicts 1985 as "being very difficult with some chance of real recovery coming in 1986-88."

Efacec has an annual turnover of Esc 7.5bn, some 10 per cent of which is for goods, such as transformers it sells abroad.

It is fortunate in that its main activity is tied with Portugal's primary energy supply, hydro-electricity, mainly from its northern rivers.

But the company hopes to boost its export revenues to 25 per cent in the next five years through an Es 2bn reinvestment programme. This involves acquisition of numerically controlled machine tools, robots, and visual display units to be used in a new plant scheduled for opening in March for production of low-voltage machine motors for foreign markets.

With a payroll of 3,900, Efacec reckons it is just 10 per cent overmanned, far less than most other companies. While it would like to see a layoffs law implemented, it accepts difficulties facing the Government.

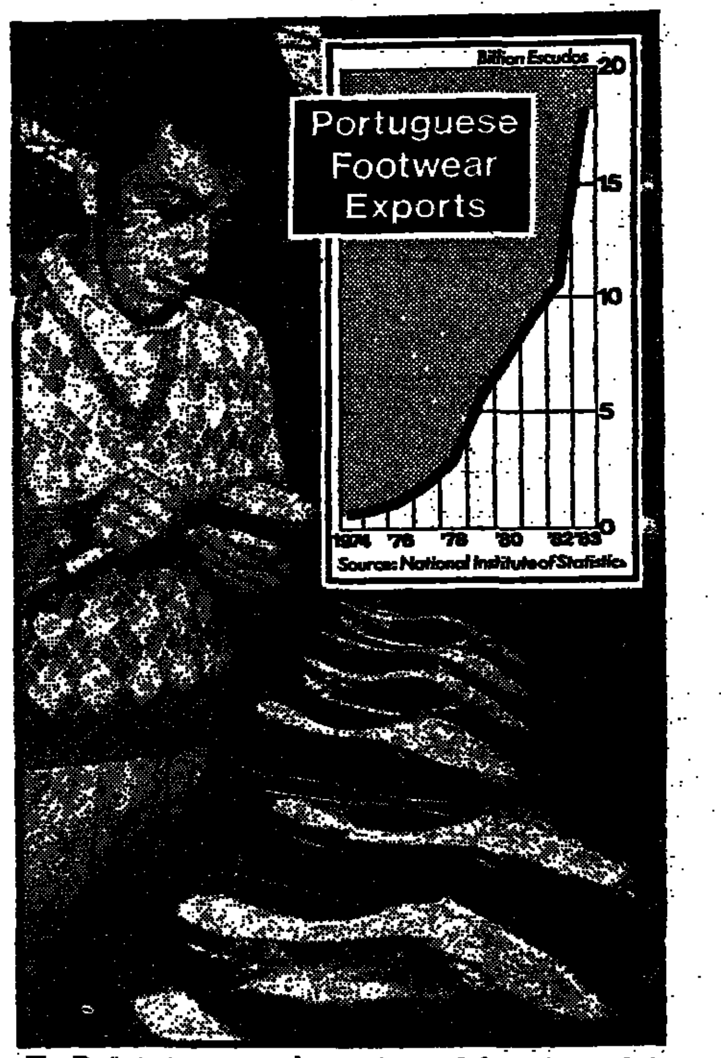
Grundig says that it has weathered the recession through modernisation and the strong export market. Some 80 per cent of its revenues come from exports, and turnover this year, for its 3,500-man operation, should be Es15bn, up from Es13bn last year. There are plans to add video cassette recorders to its output of TVs, radios, record playres and tape recorders.

Nevertheless, the continued weakness of the domestic market, and the lack of disposable income, continues to be a great concern. Says Sr Hoffmeister, "*As to the domestic situation, it is difficult to be optimistic.*"

But some moves the Government could take to help companies like Grundig are a simplification of customs procedures, the opening of customs centres in the industrial regions of the country to facilitate imports and exports, and the simplification or elimination of import licences.

In effect, what Grundig is calling for is less bureaucracy. But there are few who believe this will actually happen.

F.G.



The Portuguese economy is expected to shrink this year but the private sector will advance, largely because of companies in sectors like footwear which can expand exports

Agriculture

Long haul ahead to catch up with the community

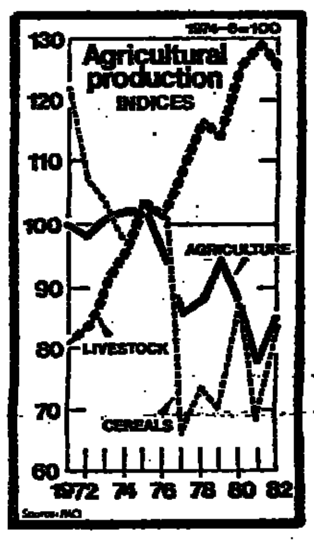
TAKE A look through your car window as you drive through Portugal's hinterland. Between whitewashed villages and windmills you can see men handploughing with ancient implements or women, their faces shielded from the sun by hats and thick scarves, bent double in the fields, scything through the wheat fields chattering and singing as they go.

Old-time farming methods make nice holiday photographs. But they do not make Portugal's agriculture productive: on the contrary—the 28 per cent of the active population employed in the rural world delivers only 10 per cent of the gross domestic product.

Each year Portugal must import over half its food and animal feed. In years of drought, imports may soar to 70 per cent, pushing trade and balance of payments deficits deep into the red.

Now that Portugal is on the final stretch of a seven-and-a-half-year marathon trek from Lisbon to Brussels, agricultural shortcomings are more sharply into focus. The EEC is bracing itself to dole out long-term financial and technical assistance for agriculture to its future partner.

The distance that Portuguese farming must travel before reaching EEC levels is vast: the worst pitfalls could take decades to overcome.



The most severe problems are: the high average age of farmers (over 55); the high degree of illiteracy (25 per cent nationally but over 35 per cent among adults rurally); the tiny, inefficient size of most farms (78 per cent are smaller than four hectares, or 10 acres); the shortage of pasture land in the utilised agricultural area (6 per cent compared to 44 per cent in EEC countries).

In addition, technical assistance is scant either because hidebound farmers reject advice or because most Ministry of Agriculture so-called farming technicians cling to Lisbon like ivy to a wall.

Arable land in areas with good climates like the Algarve is threatened by wildcat tourist development. Farmers are eagerly selling land in the far south to developers, reducing Portugal's best citrus-producing area drastically.

On the other hand, some hardy foreigners are starting to grow fruit, vegetables, plants and flowers under glass in the Algarve and to export them at a profit. Officials hope that native farmers will follow suit when they understand there is money to be made from new methods.

Foreigners are also helping to raise farm productivity in the Alentejo, Portugal's grain belt. A few dozen European farmers, particularly Danish Dutch, British, Spanish and Austrian, are making their mark with yields per hectare three to four times higher than their Portuguese neighbours. These neighbours, meanwhile, have begun to imitate the foreigners' techniques.

Transition

To prepare the way for the adaptation of Portugal's agriculture to Community standards the EEC has set aside 700m Ecus in grants to be doled out over 10 years. It will allow Portugal two-tier transition for different products, according to how close production, marketing, quality and pricing are to EEC levels.

First tier items will be adapted to the Common Agricultural policy immediately on Portugal joining in January 1986, and five years will be allowed to absorb all facets of that policy.

The first tier covers sugar, tinned fruit and vegetables, tobacco (produced in the Azores Islands and the Alentejo), hops, seeds, cotton, live plants and flowers.

The second tier of products will not be adapted to Common Market structures and prices until five years after accession either because production is insufficient, or marketing and pricing disorganised or lopsided.

These items will need large shots of capital, organisation and assistance or dismantling of state trading monopolies, or pre World-War Two market structures.

Once whipped into healthier shape after five years (it is hoped) the two-tier products—grain, rice, dairy products, beef, pork, fresh fruit, vegetables and wine—will have another five years to adapt to full CAP requirements.

Ironically Portugal is being granted long transitions for some farming products and being asked to accept a few years restrictive quotas on trade with the EEC in some efficient exports like tomato concentrate and port wine. The Italians are edgy, it seems, about Portuguese tomato concentrate that might compete with theirs or port wine that might unsettle fortified wines like Cinzano or Martini.

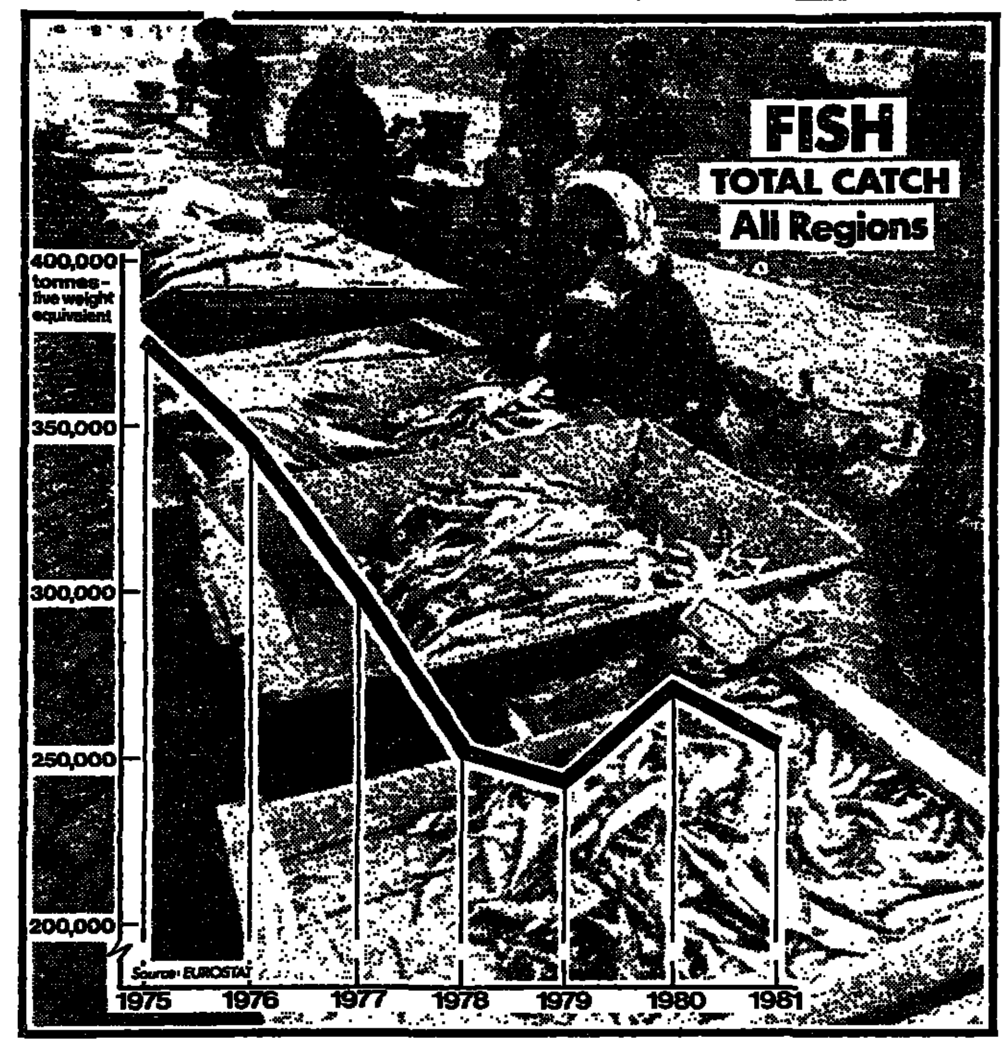
The Portuguese are resisting these proposed limitations.

Moreover Portugal has suffered in EEC negotiations because it is paired with Spain. Many farmers in the EEC are unaware of the vast difference in efficiency of the countries agricultural sectors.

To the disgust of Portuguese negotiators their country became confused with Spain's "Mediterranean" products—wine, fruit and edible oils—that irk French, Greek and Italian farmers. Irate French farmers have been known to threaten to boycott Portuguese farm produce crossing their frontiers.

It is unlikely that lorries carrying Portuguese plums or potatoes will rumble across the Pyrenees for some years to come—or that Portuguese cows will flood EEC markets with high-grade milk, butter and cheese causing grief to Irish dairymen.

Diana Smith



Stiff competition from modern Spanish fleets was a major factor behind the sharp decline in Portuguese fish catches in the late 1970s and early 1980s, and in 1982 the Portuguese suspended fishing agreements with Spain. A new agreement will need to be negotiated when the two countries join the EEC. The picture above shows a fish seller along the Douro—the graph shows the reason for her despondent look

Entry into the EEC

Seven year journey nears end

SEVEN AND a half years ago Mario Soares trudged around EEC capitals urging Community leaders to support Portugal's application for membership of the rich European club.

Sr Soares left government in 1978, after the club accepted Portugal's application but before terms of membership were settled. At that time the Portuguese thought that by January 1983 their red and green flag would join the banners of the Ten adorning the vast Commission headquarters in Brussels.

Sr Soares returned to government in 1983. Portugal, its economy in dire straits, had progressed with EEC negotiations in the five intervening years but still stood outside the EEC gates like a poor relation with frayed clothing and patience, while the European cousins fought over their money.

But at last on June 27—an historic date in Sr Soares' words—M Francois Mitterrand rushed into Lisbon like a herald in a classic drama (and rushed back four hours later to Paris for the France-Spain final of the European Nations Football Cup Final) to tell his fellow Socialist and old friend Mario Soares that the worst was over. The European family had opted to stay together, settle its financial quarrels and welcome Portugal and Spain to this large if fractious fraternity on January 1 1986.

If a week is a long time in politics, seven-and-a-half years is an eternity for a poor country with an insecure idea of its own capabilities to hang around hearing that Europe is just around the corner, and with Europe will come modernity, progress, support funds, new investment, new jobs, sophisticated technology and the very model of a modern major market.

The more the accession date receded the less urge the Portuguese felt to start concrete preparations for European membership. The result is that they have a year-and-a-half to learn Euro-techniques and Euro-standards so that a crucial area like the Civil Service can cope.

Target

The Community has set the target of September 30 for completion of Portugal's long, difficult negotiations. Once all dossiers are closed, some time between January and March, Portugal can sign the accession treaty, probably simultaneously with Spain whose negotiating could take two or three months longer, wait for parliaments of the Ten to ratify the treaties at the same time as they ratify the increase in value added tax to 1.4 per cent agreed at Fontainebleau—and then celebrate New Year's Day 1986 with added zest, or added gloom where the anti-Europeans are concerned.

Most of the important dossiers have been closed and transition periods settled for gradual elimination of tariff barriers, right of establishment, and adoption of EEC quality, environmental and trade practices.

The remaining dossiers, especially agriculture, fishing and social affairs—with the latter's regulation of the free circulation of persons—cover some sticky items but not unwieldy enough to prevent completion of negotiations by autumn.

The most difficult aspect of the agricultural dossier has already been settled: Portugal's backward agriculture will be absorbed in two phases into the Community—"transition by stages" as the process has been baptised—with some products starting to adapt to Community marketing, pricing and quality procedures as of January 1986 and others having a five-year time-lag permitting them to slowly catch up.

To help Portugal over these difficult 10 years, the EEC has allocated 700m Ecus, about 70m Ecus a year, in direct grants aimed at strengthening and modernising agriculture. The Portuguese state will have to put up a similar sum as it has been required to do with pre-accession funds since 1980.

Portugal's economic weakness moved the Community in 1980 to set up an unprecedented pre-accession programme funded initially with 125m Ecus in direct grants (of which 25m helped to subsidise interest rates on European investment bank loans) and 150m Ecus in European Investment Bank (BEI) loans. The Portuguese state was supposed to match 40 per cent of European Community funds but this has not yet been achieved.

Grants and loans were applied primarily to roads and bridges, sewerage systems, schools, energy supplies (part financing of a new coal-fired power station *at Sines in the south*), vocational training centres and assistance to small/medium enterprises on the mainland and in the Azores.

After that original package the Community allocated 50m ECUs more in grants in March largely for agricultural projects. In June the BEI announced allocation of a further 150m ECUs for loans to be made available between now and the end of 1985.

Once Portugal joins the EEC, access will be automatic to the vast range of Community funds for development of poorer regions and agriculture, although technicians due to become Eurocrats, and private entrepreneurs and farmers will have to learn how to prepare detailed, realistic projects to qualify for the funds.

Before regional funds can be tapped, Portugal will need a regional policy which it has chronically lacked. The Government made the first stab at this in the medium-term economic and financial recovery programme introduced at the beginning of this month. Failing such policies and the will to implement them, Portugal's underdeveloped interior runs the risk of being abandoned by young people.

Twenty years ago able-bodied Portuguese men rejected their villages and headed for EEC countries that were enjoying a boom and offering — for penurious Portuguese — well-paid construction or industrial jobs.

Challenge

They toiled and saved money. Modestly, they blended into the scenery like new leaves on a hedgerow. Their children, born in European capitals, often speak foreign languages better than their native tongue: many have no wish to return to their parents' homeland.

At home, the challenge to shift into full European gear is the greatest call upon material and intellectual resources since the 1974 coup that altered the political regime and enabled Portugal successfully to apply to join the European democracies.

The Portuguese proved their stamina and adaptability then: now they are starting a journey that after half a century of concentration on artificially named "overseas provinces" in Africa will propel them into a Community that is their natural *habitat. The price of member*ship is likely to be high, as the effects begin to tell on inefficient businesses and farms, but Portgual accepts that it is "condemned to Europe."

D.S.

PORTUGAL 6

Port wines

The grapes of wrath growing in the Douro

THE RAMSHACKLE, centuries-old cellars and warehouses that tumble down the narrow, *crowded streets of* Vila Nova de Gaia and out onto the edge of the Douro River opposite the city of Oporto surely present the wine world with one *of its most unusual* sights.

The tiled rooves and stuccoed walls of the town bear such venerable names as Sandeman, Robertson, Taylor, Cockburn, Barros, Ferreira and Delaforce. These and other companies, some 50 in all mostly grouped under the Association of Port Wine Exporters, suggest an antique serenity impervious to sudden change.

But these normally unflappable shippers believe they are heading into a period of organisational, marketing and financial turbulence that, if not navigated with extreme care, could leave them far out of the main stream in the increasingly competitive world of fortified wines.

Their difficulties are emerging on several fronts. The most important centres on a long, and increasingly tense row between the shippers, responsible for making one of the world's most unusual fortified wines, and the grape growers of the Douro Valley, the *wine world's oldest demarcated region.*

A second difficulty is over the role of the central government in Lisbon in fixing the price of brandy at artificially high levels, thereby adding to the price of the wine.

The shippers are themselves in a dilemma over a third issue: *how* best to meet increasing competition from sherry and vermouth producers, in the main in Spain and Italy.

Underlying these issues is *the perception by the shippers* that they are having less and less influence on the conduct of their business. Their legacy goes back to 1756, the year the *Marquess de Pombal*, a kind of Portuguese Machiavelli, first demarcated the Douro Valley in the northern Portuguese interior as the ony region from *which grapes producing port* could be produced.

That act set the stage for continuous and often intense government involvement in port production with the aim of regulating the quality, reserves, output and price of what has always been a vital Portuguese export. To this day, no shipper may sell more than one-third of his annual production; two-thirds must always remain in stock. This severely inhibits bulk "dumping" of port, keeps prices steady and puts the onus on the shippers to market their exclusive brands of high quality port in order to justify the high price.

While port production has had its ups and downs this century, the system, on paper at least, has generally worked, especially since 1977 when annual sales

Shippers are faced with increase in competition from sherry and vermouth producers

have ranged between 572,000 hectolitres and 657,000 hectolitres. In that time, export earnings — some 90 per cent of all port is sold overseas — climbed from Esc 2.5bn to Esc 12.9bn last year.

Last year's revenue rise, compared with Esc 9.7bn in 1982, was one of the largest on record, given that export volume rose by just 10,000 hectolitres to 582,400. The average price of a "pipe" of port — a measure *of 534 litres — rose by 31.6* per cent in 1983 over 1982 to Esc 119,001, an increase of 31.6 per cent in 1983 over 1982.

The shippers argue that much of the rising turnover is being eaten up by inflation — interest rates are 31 per cent, and inflation is running at more than 30 per cent. In addition, the escudo remains a weak currency, having been devalued last year by *13 per cent.*

But most important of all is the strength of the grape growers' organisation, the Casa do Douro, which controls nearly *all the* grape production in the Douro Valley, and which, according to the shippers, has been effective at blocking any major exploitation of the Upper Douro, which comprises 80 per cent of the entire valley, but which produces just 20 per cent of the grapes.

The Casa do Douro's strength lies in the Lower Corgo and Upper Corgo regions of the valley, so-named because the Douro heartland is situated in the region where the Douro and Corgo rivers meet. It is in these two regions that some 25,000 growers produce wine grapes from 150,000 vines grown on *74,000* properties. In the Upper Douro, just 4,800 growers produce wine grapes from 24,000 vines on 9,800 properties.

The exporters advocate an unfreezing of licences for new plantings in the Upper Douro. Such a more would, by the 1990s, have a deflationary effect on the price of grapes and would enable the shippers to boost output.

This, however, would require a great display of muscle-flexing *by the Port Wine Institute, the* government body that, with the shippers and growers, co-ordinates the development of the industry.

Sr Manuel Barros, head of the Exporters Association, believes the institute has acceded too much to pressure from the growers and has abetted growers' demands for higher prices for port wine grapes, which are treble the cost of dry wine grapes in the Douro.

"Either a new organisation should be set up, or we should have one similar to before the *1974 revolution when the* authority of the three groups was more or less evenly balanced.

But the growers, like most other workers' organisations in

Concern is growing about port's loss of market share in major nations

Portugal, are enjoying the power that accrued to them following the Revolution and the long period of political uncertainty that followed and are expected to resist any moves that will drastically weaken their control over their Corgo region *power base. It is under*stood however, that a shippers proposal to plant 2,500 experimental hectares as part of a World Bank-supported plan for development of the Upper Douro has been approved in principle, but that final government go-ahead is expected over the *summer.*

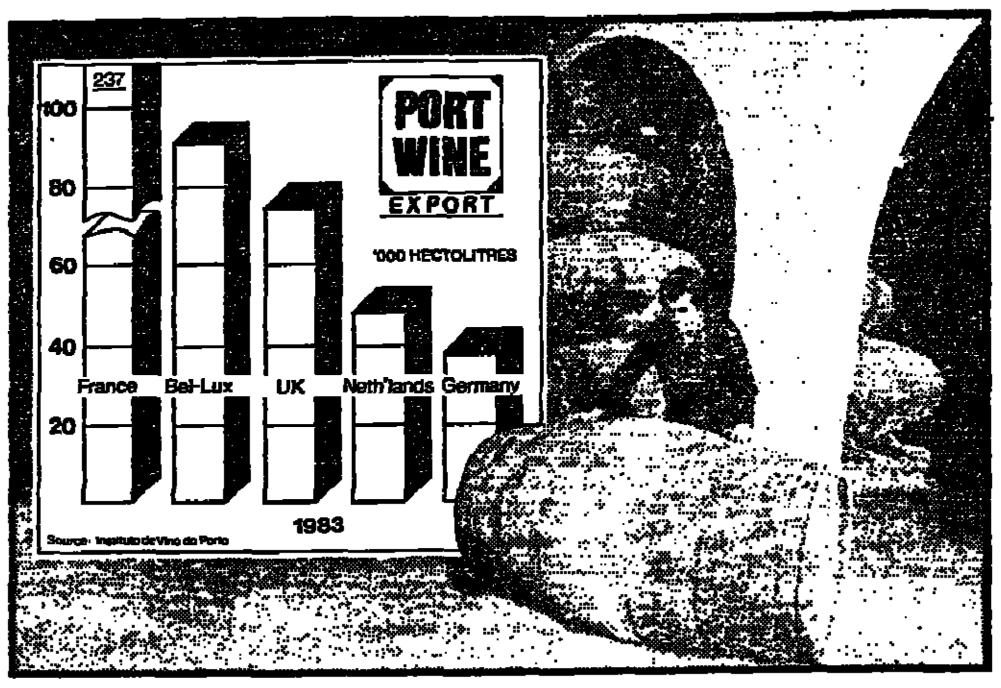
While this may be the thin end of the wedge into a long-term plan for expanded port grape production in the Douro, other problems remain. Not the least of these is exporters' concern over the high price of brandy, without which port wine would continue to be the dry and rather coarse table wine it was when British wine merchants first began to deal in it centuries ago.

Brandy comprises one third of the wholesale cost of port, and exporters say that the price they are being *charged* is more than three times the cost of brandy available from Spain. For a change, it is not the growers who are responsible, but the Port Wine Institute itself, which sets the price. Also, the brandy need not be distilled from Douro Valley grapes but is distilled from a variety of Portuguese wines. The price paid is on average Esc 270 per litre. This is one reason why, they point out, the price of quality port in such key markets as the UK is nearly double that of Spanish sherry. The two were at nearly par prior to 1974.

*Behind this is a growing con*cern about Port's loss of market share in major client nations.

Cockburns, the big UK merchant, has spent more than £500,000 in the last year promoting port in the UK. It is an unprecedented expenditure for one of the Export Association's members. But the association now admits to being in a dilemma as to whether or not it should do more, perhaps as a group.

Frank Gray



Rolling out the barrel at Taylor's Port Lodge in Porto

Vinho verde

Export sales soar on back of strong dollar

THAT THE people of northern Portugal would this summer be paying the stiff *price of £1 or more per bottle* for a light, locally produced white table wine would have been inconceivable two years ago.

The wine is the produce of the Minho region of the north and for years it was thought too delicate to endure travel to foreign markets. It was consumed cheaply by the locals or the all-too-infrequent visitor to Portugal's less-travelled northern regions.

The wine, of course, is the famous vinho verde, which has been the object of a phenomenally successful sales *drive in foreign markets*, particularly in Britain, which recently hosted a congress of more than 20 Portuguese fortified and dry wine makers.

Sales have soared from a virtual zero base a few years ago and are now said to be exceeding 200,000 hectolitres per year. The U.S. is taking more than half this, with the main European importing nations being Britain, Ireland and Sweden. The two most important factors in this boom are the strength of the U.S. dollar against the escudo and, as far as Britain is concerned, the sales spin-off from Britain's dominant position as a supplier of tourists to Portugal.

Independents emerge

The marketing force behind the vinho verde success, as with most other Portuguese *light table wine exports*, continues to be the country's two leading wine-making families, the Guedes family of Oporto, whose Mateus rosé wines are marketed worldwide under the corporate name Sogrape, and J. M. da Fonseca of Setubal, near Lisbon, whose rosé wines are mainly sold under the name of Lancers. A number of independents have also emerged in the past few years to give the "*big two*" *some competition.*

Sr Fernando Guedes, the grandson of the founding father, who first produced the carbonated rosé in 1942, and first exported it in 1957, said the wine and its familiar flask-shaped bottle will remain the backbone of the company for the forseeable future.

Ploughing between the vines: as in most of Portuguese agriculture vine growers use traditional farming methods

Sales to the U.S. last year exceeded 13m bottles—slipping behind Lancers for the first time in years, mainly owing to a change in distributors—and topped 4m bottles in the UK. *Notable successes* have emerged in other competitive wine-making countries, such as Germany and Italy, which take 3m and 2.75m bottles of Mateus yearly—a visitor would be hard-pressed to find any German or Italian wines on sale in *Portuguese shops.*

One reason for the Italian success is that, according to Sr Guedes, the price of champagne-type wines in *Italy have increased sharply* in recent years, and the bubbling, inexpensive Portuguese rosés have filled the gap.

But there is the challenge of the vinho verdes now. A new marque, bearing the name Gazela, is just hitting overseas markets and has achieved its 1984 sales target of 3,000 cases in the first two months.

Sr Guedes says that Sogrape's main bottling line south of Oporto is not yet equipped to efficiently handle the strain of the unexpected demand for long-necked white wine bottles, the bulk of its operation still being geared for the flask bottles.

New targets set

Stimulated by the vinho verde phenomenon, the Portuguese wine industry is now taking aim on a new project, which is to popularise quality Portuguese reds—a market which has been dominated by *a smattering of independents* exporting wines from the Dao region.

Portuguese drinkers point out there is no shortage of red wine—80 per cent of the Minho region's output is red wine—also under the generic name Vinho Verde. It is the sudden diversion of the white stuff to overseas markets that has caused them to dig deeper into their pockets to buy their favourite local wine.

F.G.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday July 20 1984

Dow Chemical doubles net profits in quarter

BY TERRY BYLAND IN NEW YORK

DOW CHEMICAL, number two in the U.S. industry, reported higher operating profits from every part of its worldwide operations in the second quarter, when share earnings were the highest for 3½ years.

Operating income rose from $161m to $308m in the period, although sales showed only a modest increase, from $2.7bn to $3bn.

Net earnings rose from $93m to $206m, after taking in a $163m gain on the sale of 50 per cent of Dowell USA, offset by a write-off on a mothballed crude oil plant which cut earnings by $157m.

The second quarter also benefited by $32m from cancellation of deferred tax charges.

Net earnings for the half year now show a recovery of 104 per cent at $330m or $1.69 a share, on sales of $5.9bn against $5.3bn. The third quarter will show the profits from the planned sale of Dowell Canada.

Mr Paul Oreffice, president and chief executive, said that the recent settlements of lawsuits against Dow involving Agent Orange and Benedectin will have little "if any," effect on earnings, since insurance coverage is adequate to meet the terms agreed.

Mr Oreffice said that high, long-term interest rates were a major challenge facing industry at present. Dow is increasing its lines of credit to "more normal levels" of $1.5bn in anticipation of potential increases in short-term debt.

Our Financial Staff adds: Three large U.S. chemicals companies reported sharply higher profits fuelled by the continuing U.S. industrial recovery.

Monsanto, the fourth largest in the sector, boosted second-quarter net profits from $114m, or $1.38 a share, to $145m, or $1.77, on sales up from $1.61bn to $1.8bn.

Six-month earnings were $230m or $3.90 a share, against $215m or $2.62, on sales ahead at $3.53bn ($3.1bn). Per share figures reflect a two-for-one stock split in June.

Celanese, one of the world's leading man-made fibre producers, more than doubled second-quarter net earnings from $21m or $1.29 a share to $47m or $3.05, with sales up only marginally from $834m to $860m.

Six-month earnings were $91m or $5.79 a share against $27m or $1.61, on revenues up from $1.6bn to $1.7bn.

American Cyanamid, the New Jersey-based diversified group, raised second-quarter earnings from $42.9m or 88 cents a share to $57.4m or $1.17, on revenues up from $897.4m to $1bn.

This took earnings for the first six months to $113.9m or $2.32 a share from $70.1m or $1.44, with revenues ahead at $1.94bn ($1.72bn).

Interest rates hit First Boston

By Paul Taylor in New York

FIRST BOSTON, the Wall Street securities firm, yesterday reported flat earnings for the second quarter, this reflected the impact of rising U.S. interest rates and the high volatility of the U.S. bond and equity markets.

The investment bank posted net earnings of $17.13m, or $1.35 a share ($1.28 a share fully diluted), on revenues of $131m in the latest period, compared with $17.11m, or $1.46 a share ($1.33 fully diluted), on revenues of $125.2m in the corresponding period last year.

First-half net earnings fell by 17 per cent to $37.37m, or $2.94 a share ($2.78 fully diluted), on revenues of $271.1m, from $45m or $3.93 a share ($3.47 fully diluted), on revenues of $287m.

The results show large swings in the source of First Boston's earnings, with trading revenues (principal transactions) falling sharply over the first quarter and the 1983 second-quarter. Revenues from the investment banking business continue to grow.

U.S. cigarette makers register steady growth

BY WILLIAM HALL IN NEW YORK

PHILIP MORRIS, the U.S. tobacco group whose Marlboro brand has been the world's best selling cigarette for the last 12 years, increased its second-quarter net income by 17 per cent to $257.3m.

The rival **R. J. Reynolds** group, which produces one in three cigarettes smoked by Americans, has reported an 8 per cent rise in net income from continuing operations to $241m over the same period.

Mr Hamish Maxwell, the new British chairman of Philip Morris, said the U.S. and international cigarette operations both posted volume increases in the latest quarter and Philip Morris USA "again outperformed the cigarette industry, with record sales volume and record market share."

Philip Morris' revenues rose by 6.1 per cent to $3.6bn in the latest quarter and earnings per share rose by a fifth to $2.10.

R. J. Reynolds earned $2 per share in the latest period against $1.85 in the comparable 1983 quarter.

Philip Morris' Miller Brewing *subsidiary, the world's second largest* brewer, increased its revenues and barrel shipments in the latest quarter, helped by strong performances from Meister Brau and Milwaukee's Best, two popular priced beers which the group has launched over the last year. Meanwhile, Seven-Up, the soft drink division, reported *strong revenue gains in the* latest quarter based largely on improved volume.

For the first six months of 1984 Philip Morris' earnings are 13.9 per cent up at $462.4m on the back of a 6.8 per cent gain in revenues to $6.9bn. Earnings per share are 16.8 per cent higher at $3.76.

*R. J. Reynolds' sales in the sec*ond quarter were still marginally higher than those of Philip Morris, rising 2.3 per cent to $3.7bn. For the six months, Reynolds' sales are 3 per cent up at $6.9bn.

Toys help Coleco to stay in the black

By Our New York Staff

COLECO, the U.S. dolls, toys and home computer manufacturer, shipped $150m of Cabbage Patch Kids dolls in the first six months of the year and has an unshipped backlog of orders for the ugly-faced cuddly toys totalling $350m.

The runaway success of the doll line helped Coleco remain in the black in the latest period – despite poor sales of electronic products.

However, the company, which has been struggling with lower-than-expected sales of its Adam home computer, still reported a sharp 44 per cent year-on-year decline in earnings.

Coleco had net earnings of $5.1m or 32 cents a share in the second quarter on sales of $166.6m compared with $9.1m or 56 cents a share on sales of $126.3m in the year-ago period. Coleco struggled back into profit in the first quarter with $4.4bn in net earnings following a $35m loss in the 1983 fourth quarter.

The $9.6m or 59 cents a share earned in the first half on sales of $352.7m compares with net earnings of $25.3m or $1.57 a share in the 1983 period when sales totalled $308.5m.

The company said sales of electronic products were "significantly lower than those for the second quarter and first half of 1983" mostly as a result of lower sales of the Colecovision video game and software for other video games.

Bristol-Myers advances 17%

By Our New York Staff

BRISTOL-MYERS, the U.S. drug company lifted sales by 10 per cent to $1.1bn in the second quarter, with net earnings 17 per cent ahead at $111.1m or 81 cents a share.

For the first six months of the year, net earnings are 18 per cent up at $221.1m or $1.62 a share on sales of $2.1bn against $1.9bn. For the whole of fiscal 1983, Bristol-Myers earned a record $408m or $3 a share on sales of $4bn.

Mr Richard Geld, chairman, said international sales grew by 4 per cent in the second quarter despite unfavourable exchange rates on the one third of group sales made outside the U.S.

British Telecom earnings fall after freezing of tariffs

BY GUY DE JONQUIERES IN LONDON

BRITISH Telecom (BT), which is due to be privatised in the autumn, yesterday reported a profits decline to £990m ($1.3bn) in the year to March from a restated £1.03bn the previous year. Turnover rose to £6.88bn from £6.4bn.

BT attributed the lower profits, which were broadly as expected, to the freezing or reduction of many of its tariffs in the two years to last November. Its second-half profits were £66m ahead of the same period a year earlier.

Sir George Jefferson, BT's chairman, said that business this year was running to plan, but he gave no details. No decision had yet been taken on future tariffs, which will be governed by a formula limiting increases for most inland services to 3 percentage points, less than the inflation rate.

BT's real unit costs fell by 5.8 per cent last year, partly because of a productivity programme which reduced staff by 4,800 to 241,000. Return on capital was 7.7 per cent, ahead of the Government's 6.5 per cent target, and net cash holdings rose by £141m, after loan repayments of £147m.

But capital spending fell £26m to £1.48bn. That was £150m-£200m less than planned and reflected what Sir George called "endemic" delays in deliveries of equipment by several suppliers. It was also due to the slow start of cable television projects, in which BT aims to play a leading role.

Purchases of public telephone exchanges fell sharply last year to £398m from £679m. Only £39m was spent on modern digital exchanges, in spite of sharply increased orders for System X equipment made by Plessey and GEC.

Profit before interest on BT's inland business fell by £63m to £1.2bn, though no breakdown is given of the performance of individual services. International services increased their pre-interest profit to £320m from £306m.

Staff costs grew by 5.6 per cent to £2.2bn. The number of employees earning more than £30,000 a year rose to 183 from 25. Sir George, whose salary increased to £84,198 from £67,980, said that senior managers' pay was still below private sector levels.

Depreciation charges rose by £131m to £866m and other operating costs were up £224m to £2.09bn. Just over half the increase in operating costs was due to volume growth.

The number of exchange lines in service grew to 20m from 19.4m and the number of telephones to 29.3m from 28.9m. BT claimed a general improvement in the quality of service and said that it had recently begun regular surveys of customer attitudes.

Sir George said the overall results were satisfactory

Lex, Page 14

21% gain at General Foods

By Our New York Staff

STRONG VOLUME gains in the U.S. helped General Foods, the U.S. Maxwell House coffee and processed food company, to a 21 per cent increase in earnings in the first quarter of its current fiscal year.

Net income from operations in the period to June 30 amounted to $72.5m, or $1.41 a share, against $59.7m, or $1.15 a share in 1983.

Final net earnings surged even more strongly to $111.6m, or $2.17 a share. This figure was struck, however, after taking into account a $59.8m after-tax gain on the disposal of the group's Gaines pet food business and the deduction of a provision of $20.7m for international restructuring.

Turnover increased by 5.7 per cent from $2.14bn to $2.26bn despite the strong U.S. dollar, which continued to hold down sales of international operations.

Mr James Ferguson, chairman, said that all four of the group's business segments had performed better than a year ago. Apart from higher volume in the domestic market, the figures had been helped by firm green coffee prices and a lower effective tax rate.

In the current quarter, anticipated earnings per share might be slightly below last year's because of heavy marketing spending.

Warner, AT&T payouts

DIVIDEND figures for two U.S. companies were printed incorrectly in yesterday's edition. The quarterly payout abandoned by Warner Communications was 25 cents. American Telephone and Telegraph's dividend in each of the first two quarters was 30 cents. The headline on the AT&T story also incorrectly referred to first, rather than second-quarter profits.

Coca-Cola moves ahead on higher worldwide sales

BY OUR NEW YORK STAFF

COCA-COLA, the world's largest soft-drinks manufacturer, yesterday reported a 14.1 per cent increase in net income from continuing operations in the second quarter. The improvement was led by further gains in worldwide unit volumes – including an 18 per cent gain in the UK, a 40 per cent jump in Argentina and a 12 per cent gain in the U.S.

The Atlanta, Georgia-based group achieved net income of $185m or $1.40 a share – its 10th consecutive quarterly gain – compared with net earnings from continuing operations of $162.1m or $1.19 a share in the same period last year. Revenues were $1.93bn against $1.78bn.

In the second quarter last year a $1.7m loss from discontinued operations produced final net earnings of $160.4m or $1.18 a share.

The latest results boosted Coca-Cola's first half net earnings to $323m or $2.42 a share from $285.64m or $2.10. Revenues rose from $3.3bn to $3.5bn. In the 1983 period a $3.1m loss from discontinued operations left final net earnings of $282.57m or $2.08 a share.

Mr Roberto Goizueta, chairman and chief executive, said: "The performance in the first half of 1984, particularly the second quarter, shows that we are starting to reap the benefits of strong soft-drink volume, market share, and earnings growth resulting from actions taken over the last three years.

"Although we are still hampered by earnings translation effects of an increasingly strong dollar, this year's first-half results demonstrate underlying strength and growth in each of our business sectors. We look for a continuation of this momentum during the remainder of 1984 and beyond."

In the U.S., Coca-Cola reported a 12 per cent shipment gain in the second quarter, and said its operating income continued to widen and that its market share was growing.

Schlumberger held back by oilfield side

By Terry Dodsworth in New York

A DECLINE in oilfield activity outside America held back the second-quarter performance at Schlumberger, the leading U.S. well testing company, despite an upturn in several other sectors of its business.

Net income amounted to $291.7m or $1.01 a share, a rise of 1.9 per cent from $286.4m, or 98 cents a share in the same quarter last year. For the first six months of the year, net income rose from $545.3m, or $1.87 a share, to $565.6m, or $1.96 a share.

Revenue increased by 9.7 per cent in the quarter from $1.43bn to $1.57bn, while in the first six months it was up from $2.86bn to $3.05bn.

Mr Jean Riboud, chairman, said that the group had benefited in the quarter from higher activity in the oilwell proving and checking division, as well as a significant upturn at the Fairchild Semiconductor business and at Computer-Aided Systems. The consolidation of 50 per cent of Dowell Schlumberger-U.S. since its acquisition in April had increased revenue by $59m, but reduced earnings by $10m, or 3 cents a share.

Schlumberger also announced a quarterly dividend increase to 30 cents

Morgan Stanley hired to help Continental

BY OUR NEW YORK STAFF

MORGAN STANLEY, the Wall Street investment bank, yesterday confirmed that it had been hired by the Federal Deposit Insurance Corporation (FDIC) to help find a long-term solution to the problems of Continental Illinois, the beleaguered Chicago bank.

The Choice of Morgan Stanley is significant since the firm advised the FDIC in the rescue of the $5.3bn First Pennsylvania Bank in 1980.

It is understood that the same senior Morgan Stanley executives who worked on the successful solution of First Pennsylvania's problems have set to work devising a long-term survival plan for Continental.

When Morgan Stanley and the U.S. bank regulators put together the $500m five year assistance package for First Pennsylvania, the bank was the biggest in Philadelphia and the 23rd biggest bank in the U.S., with assets of $8.4bn.

Liquidation of Ambrosiano 'to raise L180bn'

By Our Financial Staff

THE LIQUIDATION of the failed Banco Ambrosiano is likely to recover a total of about L180bn ($103m) through asset sales and negotiated settlements to set against the bank's liabilities, Sig Giovanni Goria, the Treasury Minister, said.

This would leave a final deficit of about L480bn to be covered by the state under last May's agreement between the Ambrosiano liquidators, creditors and the Vatican.

Under the agreements the Istituto per le Opere di Religione (IOR) contributed $241m in a lump sum last month. Of this, $152m was earmarked for the liquidation of Ambrosiano's holding company in Luxembourg.

Control Data reports 39.7% income drop

BY OUR NEW YORK STAFF

CONTROL DATA, the diversified U.S. computer and computer products group, yesterday reported a disappointing 39.7 per cent decline in second-quarter net earnings. The fall mainly reflected delays in shipping its new high-density memory disk drives and slower than expected growth in the data services business.

The Minneapolis-based company said it had net earnings of $23.4m or 60 cents a share in the latest period on revenues of $1.3bn, compared with $38.8m or $1.01 a share on revenues of $1.1bn in the same period last year.

Although Control Data said operating earnings in the second quarter were ahead of this year's first quarter, the net figures were still somewhat below Wall Street expectations.

Control Data said revenue gains came from its financial services and information divisions. Although the data services business experienced "slower than planned revenue growth," the company expects new products and services together with cost and expense reductions to contribute to revenue and margin increases in the second half.

Second-quarter results were also hit by delays in shipment of the company's 33800 disk memory products but said shipment rates are now accelerating "and will grow at a substantial rate during the remainder of the year."

London stock market unveils new trading system

BY CHARLES BATCHELOR IN LONDON

THE LONDON Stock Exchange ruling council yesterday announced the broad outlines of the radically new system of share trading to be introduced by December 1986.

The new dealing system for British shares will be based on competing market makers combining the functions of both stockbrokers and stockjobbers, though firms will be free to continue acting in single capacity if they wish.

It is modelled closely on the National Association of Securities Dealers Automated Quotation (Nasdaq) System under which the shares of 4,000 companies are traded on the U.S. Over-the-Counter-market. Nasdaq has grown to become the world's third largest stock market after the New York Stock Exchange and Tokyo.

Sir Nicholas Goodison, chairman of the London stock exchange, said the 43-page document outlining the new system might be changed in detail *as a result of members' comments.*

Several stock exchange members, particularly among the smaller firms, have expressed concern in recent weeks about the rapid rate of change. Three representatives of smaller firms were elected to the council in June.

Market makers will be expected under the new system to commit themselves to make a market in a spread of actively and less actively traded stocks.

The prices quoted by the competing market makers would be made available to all member firms.

The stock exchange council has decided against a tiered market system which would have allowed different trading systems for the most active stocks and for those in which there is less interest.

The only exception to this might be some very inactive shares for which dealers would only be required to indicate a price at which they would do business or possibly a computerised matching service.

The speed of change will depend very much on how quickly the technology can be developed to transmit prices. This, and the cost, will be partly determined by the extent to which the stock exchanges Topic information system can be enhanced or whether a new system is required.

This could mean that a few hundred of the most active stocks would go into the system from day one leaving the less actively traded of the 7,000 securities to be traded in the traditional manner during a transition period.

"The council intend that the new system will ensure the continuance of a market in the shares of all listed companies, large and small, which is at least as liquid as the present market," the outline document said.

The council listed the following advantages of the competing market maker system:

- It is the nearest, of the various alternatives reviewed, to the present jobbing system.
- It preserves the practice of private negotiation between members.
- It allows computer technology to be applied in the market and places all members on an equal basis regardless of geographic location. This will be particularly useful to regional brokers.
- It could accomodate many more members, including those in different time zones, and would allow London to capitalise on its time-zone advantage, permitting a 24-hour international market.

Market makers would be required to maintain a two-way price on the Stock Exchange Automated Quotation System (SEAQ) in at least the prescribed minimum size in all stocks in which they are registered.

Stock exchange members would have access details of all the market makers' quotes, of the last six trades in the stock, the high and low quote for the day and accumulated numbers and volumes of shares traded on the day. Clients would only have access to a screen showing the average bid and offer price from all the market makers' quotes.

The council warned that the new dealing system would require a much greater surveillance because the investor protection inherent in the present jobber/broker system would be lost.

All trades must be reported promptly to regulatory officials and SEAQ will publish from the outset deals in securities in which there is an adequate number of market makers and sufficient liquidity, any order executed by a broker/dealer with his own market making operation and any deal arranged by a broker/dealer between clients.

The stock exchange will not require order exposure since dealers would risk losing business to competitors if they expose their business.

It will, however, introduce a "best execution rule," requiring a broker/dealer to execute orders with the market maker offering the best price unless the broker/dealer can get a better price by matching client orders or dealing off his own book.

A whole range of issues has still to be settled in detail and these will be discussed by the stock exchange's markets committee to be presented in draft form to the council in the autumn.

These include:

- The specification of a market makers' privilege obligations, and financial qualifications. The stock exchange seems likely to stipulate larger capital reserves than the $25,000 (£19,000) or $2,500 per security, required by Nasdaq.
- The definition of dealing conventions and procedures, particularly those aimed at encouraging liquidity and market making in the less active stocks.
- The specification of rules for resolving conflicts of interest in firms which combine market making with advice to clients, discretionary portfolio management or corporate finance broking.
- A decision on the technical systems needed to support trading and oversee business for the purpose of investor protection.
- The extent and timing of the reporting and publication of information is desirable to create confidence in the market, the council argued.

While dealers will be required to feed details of trades into the computer system within 90 seconds, the time-lag before publication needs careful study. An extremely short time lag, especially in the early stages of the new trading system, could threaten the ability of market makers to compete effectively and damage market liquidity.

The markets committee is to start identifying potential market makers but has already achieved an important break-through.

Five leading jobbing firms have said it is their intention to continue to make markets in the sectors in which they trade, at least during the new system's introductory period.

INTERNATIONAL COMPANIES and FINANCE

BankAmerica profits fall 23%

BY PAUL TAYLOR IN NEW YORK

BANKAMERICA, the second largest U.S. banking group in terms of year-end assets, has suffered a 23 per cent decline in second-qarter net earnings. The decline reflects substantially higher loan loss provisions and the impact of a significant gain in the value of venture capital securities recorded a year earlier.

The bank warned that the stated redemption value of preferred stock issued to shareholders in the acquisition of the troubled Seafirst banking group last year could be reduced – perhaps from $25 a share to $2 a share – because losses on a pool of Seafirst loans exceed a $350m threshold set by BankAmerica at the time deal went through.

First Interstate Bancorp, the seventh largest U.S. banking group, reported an 11.2 per cent increase in second-quarter net earnings to record $67.48m or $1.50 a share from $60.69m or $1.44 a share in 1983.

BankAmerica said it had net earnings of $110m or 60 cents a share in the latest quarter, compared with $192m or 84 cents a share in the 1983 period, when gains in the value of securities in the bank's venture capital portfolio lifted earnings by $30m or 20 cents a share.

Earnings for the latest period were $9m or 9 per cent higher than in the first quarter mainly because of an improvement in net interest margins. Half year earnings amounted to $211m or $1.15 a share compared with $262m or $1.57 a share in the 1983 period.

BankAmerica set aside $206m for loan losses in the second quarter against $114m a year. Excluding Seafirst, which was acquired on July 1 last year, the provision increased to $197m in the latest quarter, reflecting a rise in the ratio of the allowance for loan losses to loan outstandings.

Second-quarter net loan losses rose from $145m to $258m, including $108m related to Seafirst. The bank said Seafirst's net loan losses had a negligible impact on consolidated net income because they had been provided for in previous quarters.

BankAmerica's reserve for possible loan losses fell to 1.13 per cent of total outstandings at the end of *the quarter from 1.22 per cent at the* end of the first quarter, because Seafirst charged off a significant number of loans.

Non-accrual and restructured loans at the end of the period were $3.51bn, down from $4.02bn at the end of March. Loans 90 days past due were $765m up from $750m at the end of the first quarter, and included some Argentine public sector loans. These reduced net income by $5m during the quarter.

Seafirst itself reported net income of $1.7m compared with $1.1m in the first quarter and a $158.2m loss a year earlier. BankAmerica said it was issuing the warning about the value of the special preferred stock – although it is maintaining the dividend as agreed under the terms of the acquisition – because Seafirst's aggregate pool of charge-offs grew to $364m during the quarter. The redemption value of the stock is due to be finally fixed in August 1988.

First Interstate's results provided a sharp contrast. For the first half the Los Angeles group reported net earnings of $131.2m or $2.92 a share against $118.9m or $2.82 a share in the 1983 period.

At the end of the quarter the bank's non-performing assets totalled $1.112bn, down $212m from the March 1983 peak. Of these loans $135.7m were international credits.

French borrowers eye Yankee bonds

By Peter Montagnon, Euromarkets Correspondent

THREE French state borrowers are to submit shelf registration documents to the U.S. Securities and Exchange Commission that will allow them to issue Yankee bonds in the New York market at any time over the next two years.

The move has aroused speculation that France is preparing to tap the U.S. bond markets again for the first time in more than 18 months through one of the three borrowers named: Credit Foncier, Credit National and Electricite de France.

But bankers in Paris say that the mere filing of a self registration application does not necessarily mean that the launch of an issue is imminent. Much depends on the tone of the market and the trend of interest rates.

Of more interest, they say, could be the financial information contained in the registration documents. Until about two years ago France was notoriously shy about revealing the extent of its foreign debt, though the Socialist Government of President Francois Mitterrand is much more open.

This week the Finance Ministry reported that France's total debt grew by only $1.9bn to $55.6bn in the first six months of the year.

Record turnover for Swiss SEs

By John Wicks in Zurich

SWISS stock-exchange turnover reached record levels in the first half of 1984.

The Zurich bourse booked a half-year total of SwFr 146.99bn ($60.95bn) or about 10 per cent more than in the corresponding six months of last year.

In Basle, the growth rate was even more marked. First half turnover of SwFr 34.48bn was up 29 per cent on 1983.

Paribas strengthens high technology presence

BY PAUL BETTS IN PARIS

PARIBAS, the nationalised French international banking group, has set up two new venture-capital companies to strengthen its presence in high technology.

One of the two companies—called Paribas Technology France—will offer assistance to French and other European high technology businesses, including helping them to establish a presence in the U.S. and Japanese markets.

In what amounts to a triangular trade system, the new Paribas offshoot also plans to assist U.S. and Japanese high technology companies enter the European markets.

This subsidiary is a follow-up of the bank's U.S. venture capital company Paribas Technology, set up two-and-a-half years ago in San Francisco.

The other new venture is called Avenir-Electronique. With a capital of FFr 10m ($1.38m) it will specialise in small and medium-sized electronic and information processing companies.

Paribas' latest moves to reinforce the bank's presence in new technology and in the venture-capital business comes when other major French banks, encouraged by the French authorities, are seeking to increase their exposure in these areas.

Separately, GSI Alcatel, a subsidiary of the nationalised French electronics conglomerate CGE, has just signed a cross-licence agreement with the Pittsburgh-based Carnegie Group. The CGE subsidiary will also acquire a 10 per cent stake in the U.S. venture specialising in artificial intelligence systems and founded by four academics from the Carnegie Mellon University. The French group signed an agreement with Rank Xerox earlier this year.

Gildemeister hopes Litton link will boost U.S. sales

BY JOHN DAVIES IN FRANKFURT

GILDEMEISTER, West Germany's biggest machine tool maker, hopes to strengthen its technology in North America through a link with Litton Industries of the U.S.

Litton is to pay DM 12m ($4.2m) for a 14.3 per cent stake in Gildemeister, which had group sales revenue of DM 485m last year.

Under a 10-year agreement, New Britain Machine, a Litton subsidiary, will co-operate with Gildemeister in machine tool technology and in marketing. It will produce some Gildemeister machine tools and systems under licence and market them in Canada, the U.S. and Mexico.

Gildemeister and the associated Pittler concern had sales revenue in North America of between DM 40m and DM 50m last year, but Gildemeister hopes that this will be doubled by 1986.

The West German company, which has not paid a dividend for 10 years, has been pressing ahead with a recovery strategy aimed at modernising its technology to meet competition from rivals abroad, including the Japanese.

Litton's stake in Gildemeister will arise out of a capital increase at the German company. Litton will take up shares with a nominal value of DM 8m at a price of 150 per cent.

As a result of the capital increase, Westdeutsche Landesbank and Sauer Getriebe will each have a 20 per cent stake in Gildemeister.

● Net sales of German domestic bonds fell sharply in June to DM 271m from DM 4.74bn in May and DM 9.63bn in June 1983. Issuing activity remained high with the sharp drop in net sales arising through heavy redemptions.

Most net bond sales in June were by public authorities. For the first time since April 1982 banks had net redemptions.

Jim Jones reports on a watershed for South Africa's largest foods company

Premier pins future on foreign expansion

PREMIER GROUP, South Africa's largest diversified food company, has reached a watershed. In common with many other major South African companies, it feels constrained by growth prospects at home. And though the group has pursued a steady and successful diversification into non-food businesses such as records, books and pharmaceuticals since the 1960s it is reluctant to chase disparate acquisition targets simply to boost turnover, currently running at over R2bn ($1.3bn).

Five years ago Premier set itself the five-year target of increasing earnings per share at a compound annual rate of at least 20 per cent. In the event, the five-year growth was 19.6 per cent, helped by diversification into retailing and despite rampant inflation and the worst drought South Africa has seen since the 1930s.

The budget for the next five years is equally ambitious. Expansion outside South Africa is the next step if the group is not be cramped by South African consumer spending patterns and price controls on basic foodstuffs, says Mr Tony Bloom, Premier's chairman.

In South Africa itself there are few, if any, realistic acquisition opportunities in the foods business. Neighbouring countries offer extremely poor investment prospects, while the highly competitive nature of

Mr Tony Bloom—expansion outside South Africa is the next step

South Africa's food sector means that the cost of gaining market share from the other six major groups could be prohibitive, and probably not permanent.

Premier is already the largest South African producer of flour, maize meal and dog food. It ranks second in animal feeds, chickens and margarine and is the fourth largest producer of edible oils. Improving on this position of mature market shares is not easy.

The need to consider ventures outside South Africa was underlined two years ago when Tiger Oats outbid Premier for control of Monis and Fattis, a pasta maker with sales of R42m. The deal tied-up ownership of one of the few companies in the foods sector not held by the four main South African food groups—Premier, Tiger, Tongaat and Fedfood—or by the three multinationals, Nestle, Unilever and Kellogg.

Until last year Premier was effectively barred from expanding abroad by its ersthwhile controlling shareholder, Associated British Foods (ABF). Premier's growth objectives had also to take into account ABF's reluctance to provide additional equity funds or to allow large numbers of shares to be issued.

ABF acquired 52 per cent of Premier in 1965 for £5m when parts of the Bloom family wanted to sell their interests. The family founded the company at the turn of the century and Tony Bloom is the fourth generation of his family to occupy the top management position.

However, ABF sold its entire holding last year for R385m to a consortium composed of mining houses led by Johannesburg Consolidated Investment. The sale of ABF's shareholding was accompanied by the injection into Premier of 34 per cent of the equity of South African Breweries already held by the consortium.

This aspect of the deal was crucial to the development of Premier. The injection of SAB shares was accompanied by an issue of Premier shares which raised the consortium's interest in Premier to 87 per cent. The result was a considerable strengthening of Premier's balance sheet.

	Sales (Rbn)	Pre-tax profit (Rm)
1979	0.76	35.1
1980	0.95	43.4
1981	1.20	67.7
1982	1.50	90.6
1983	1.76	87.6

The effect of all this financial manoeuvring was to place Premier in a position where it could, if necessary, issue shares to make acquisitions without any risk of control slipping from the consortium or critical financial ratios moving out of acceptable limits.

The injection of the SAB shares has given Premier an indirect interest in the country's largest retail group. Apart from monopolising the South African beer market, SAB controls OK Bazaars, a big retail chain, major parts of the country's furniture and clothing retail sectors and the hotel group, Southern Sun. It coincided with the merger of Premier's record and tape making subsidiary Gallo, which controls 80 per cent of South Africa's recorded music market, with CNA, the country's largest book and stationery retailer.

At present, Mr Bloom says, Premier has no specific acquisition targets outside South Africa. He adds, though, that opportunity is generally as important as carefully devised diversification strategies. A London listing has been obtained to ensure that all the complex documentaiton is completed ahead of any foreign ventures.

Premier has already made use of its newly-acquired freedom. In June this year it issued shares to tie up control of Ovenstone Investments, the Cape-based property, construction and fishing group. This, though, simply completed a development set in train in 1980.

As for foreign expansion Mr Bloom says the preferred style will be the establishment of partnerships rather than outright acquisitions. They will be confined, significantly, to countries in which the commercial environment is the same as in South Africa. The management recognises that Premier's South African nationality could prove to be a drawback in some circumstances, but this is not felt to be a major problem. Of greater importance in any foreign relationships will be the skills and financial clout Premier believes it can provide.

Dutch reconsider share tax relief proposals

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH Finance Ministry appears to be having second thoughts about its planned introduction of tax relief for investors in new share issues. It may instead resurrect an earlier proposal for a second cut in the level of corporation tax.

Mr Onno Ruding, the Finance Minister, has been under pressure since taking office to do something to encourage stock market investment. At the moment, investors are taxed first on their dividends and then by way of income tax. The relief measure which was to have been introduced in the 1985 budget, due to be published in Setember, would have given investors a tax break on nivestments in new shares.

In the meantime, it is thought that Mr Ruding will approach the problem by cutting the rate of company tax from 43 per cent of earnings to 41.5 per cent, with effect from 1985. He brought the rate down from 48 per cent this January and was to have introduced a second stage, to 40 per cent, with effect from the beginning of next year.

Then it was revealed that Treasury requirements made this unlikely, and it was also explained that it was hoped to find a way to help companies whose low profits did not benefit from cuts in company tax.

The wheel since then has turned full circle. Mr Ruding has yet to complete the detail of his 1985 budget, which is clearly in a more fluid state than had been supposed.

INTL. COMPANIES & FINANCE

Chartered Bank to pay S$23m on collapse of lease deal

BY CHRIS SHERWELL IN SINGAPORE

THE Chartered Bank is in Singapore is to pay S$22.6m (US$11m) in compensation to Singapore Land following a breakdown in plans for the property development company to acquire an interest in the bank's new Singapore headquarters.

This move follows hard on the disclosure earlier this week that three arms of the Standard Chartered group—Chartered Corporation of Hong Kong, Chartered Bank of London and Standard Chartered Bank of London—have between them an indirect interest in 17.59 per cent of Singapore Land.

The two matters are said to be unrelated, but they have coincided in a way that has sent bankers and brokers running to their telephones and scurrying through their files in an effort to discover what is happening—and who owns what.

Clarifications about the shareholdings began to surface yesterday. Standard Chartered holds its beneficial stake in Singapore Land through a 25 per cent holding in Ocean Leila—a Singapore company whose major shareholder is Mr David S. Y. Wong, previously a director of the property group. The bank's stake in Ocean Leila is of many years standing say brokers, although it is unclear as to why it has been made public only in the last week.

Details of the compensation agreement also emerged yesterday in a statement from Singapore Land. It said that the property company and the bank had reached an understanding several years ago for Singapore Land to take a minority interest in the bank's new headquarters building.

However, according to Singapore Land, "it has not been possible for various reasons for Chartered Bank to give legal effect to the intended acquisition." As a result the company was accepting S$22.6m "by way of compensation."

Chartered's new headquarters building is a 43-storey block overlooking the mouth of the Singapore River. Valued at S$330m the building is said to be the bank's largest.

Earnings recover sharply at C. Itoh and Marubeni

BY YOKO SHIBATA IN TOKYO

C. ITOH and Marubeni, Japan's third and fourth largest trading houses, showed steep recoveries in earnings on a consolidated basis in the fiscal year ended March 31, reflecting improvement in their consolidated subsidiaries.

Consolidated net profits at C. Itoh surged by 1,406 per cent to Y4.62bn ($19.9m) from the previous year, on full year sales of Y13,463.5bn, up 5.1 per cent. In fiscal 1983, net earnings were only Y307m which was arrived at after extraordinary losses of Y15.3bn related to the Toa Oil refinery operation and the termination of tanker charter contracts taken over from Toa Oil.

The sales improvement was attributed to a 20 per cent rise in offshore transactions, mainly crude oil and oil products, and favourable domestic business (up 6.2 per cent), chiefly foods, which offset setbacks in exports, which eased 0.5 per cent and imports which fell 4.7 per cent.

Thanks to sharp earnings increases by its 22 overseas consolidated subsidiaries, other than the German subsidiary, C. Itoh's gross trading profits increased by 6.3 per cent to an all-time record of Y277.9bn. The ratio of gross profit to sales improved to 2.06 per cent from 2.04 per cent in the previous year.

C. Itoh had 119 consolidated subsidiaries in the latest year, up from 111 a year earlier, while unconsolidated subsidiaries and associated companies totalled 352, against 319.

For the current fiscal year to end-March 1985, C. Itoh projects consolidated net profits of Y5bn, up 8.1 per cent, on full year sales of Y14,000bn, a gain of 4 per cent on the latest returns.

Marubeni, the fourth largest trading house, suffered deterioration in its ratio of gross profit to sales from 2.04 per cent to 1.94 per cent caused by parent company's poor performance in steel and food sectors.

Despite earnings improvements by its overseas subsidiaries, the parent company's poor performance dragged gross trading profits down by 2 per cent to Y233bn.

Marubeni's overall sales increased by 2.9 per cent to Y12,019.9bn, boosted by higher offshore transactions in fuels and chemical products. Net profits jumped by 1,287 per cent to Y7,286bn, reflecting an improvement in its investment balance (up Y8bn) following the disposal of stakes in three lossmaking companies, Yutani Heavy Industries, Nagoya Pulp and Ueno Seisakusho.

For the current fiscal year, Marubeni expects higher consolidated net profits on sales of Y12,600bn, 5 per cent up on the latest year's figure.

World International to hive off shipping interests

BY DAVID DODWELL IN HONG KONG

WORLD INTERNATIONAL, the Hong Kong shipping and property group controlled by Sir Yue Kong Pao, plans to hive off its ship-owning and shipping interests into a separately publicly-quoted company in a bid to persuade investors to acknowledge the contribution they make to the group.

World International holds interests in shipping, through its wholly owned subsidiary Eastern Asia Navigation (EAN) and in property, through its 44.5 per cent stake in Hongkong and Kowloon Wharf and Godown company. These holdings were mainly acquired between autumn 1980 and summer 1981, at a cost of about HK$5bn.

The company has also announced pre-tax profits for the year to March 31 of HK$671.1m (U.S.$321m) an improvement of 33 per cent over the previous year's HK$504.7m. However, after extraordinary losses amounting to HK$221.6m—understood to be due to disposal of ships—profit attributable to shareholders was HK$425.3m, just HK$20m better than last year.

Its share of profits from Kowloon Wharf amounted to about HK$260m, HK$60m higher than last year. However, the latest contribution is not directly comparable, because it is based on a 15-month period to March 31 this year.

The reorganisation plan, which will be put to an extraordinary shareholders' meeting probably in August, will involve giving current World International shareholders one new share in EAN for every share currently owned in World. Current EAN shares will be cancelled.

In addition, a wholly owned subsidiary of World will waiver a debt from an EAN subsidiary amounting to HK$1.477bn.

After the reorganisation, World's only major assets will be its holding in Kowloon Wharf. On the basis of the latest audited accounts, it would have a net asset value of about HK$2.16bn, or about HK$1.30 per share. On the same basis, the consolidated net assets of EAN would be about HK$2.3bn, or HK$1.38 per share.

World forecasts that if the reorganisation goes ahead, the new publicly quoted EAN would earn profits after tax of not less than HK$450m in the year to next March. This would include exchange gains of about HK$74m arising from repayment of debt.

Japan Air Lines back in the black

By Our Tokyo Staff

JAPAN AIR LINES (JAL), the national carrier, swung back into the black with pre-tax profits of Y9bn on a consolidated basis in the year ended March, compared with the previous year's pre-tax loss of Y25bn.

The earnings recovery was attributed to favourable performances at four of its five consolidated subsidiaries, as well as to a strong performance by the air cargo division.

On the strength of higher passenger and cargo traffic JAL's group pre-tax profits for the current year to March 1985 are expected to rise 2.2 times to Y20bn, on projected sales of Y880bn, up 6 per cent.

During the past year JAL's sales were Y830bn, up 2.4 per cent from the previous year. Sales of the parent company only were Y756bn and Japan Asian Airline contributed Y34.5bn thanks to higher passenger traffic to and from Taiwan.

In addition to the higher revenues, favourable effects from lower fuel cost improved JAL's parent company's pre-tax profits to Y4bn, from the previous year's loss of Y27bn. Net profits were Y3.4bn compared with a net loss of Y9.1bn.

Y J LOVELL (HOLDINGS) plc

INTERIM STATEMENT 1984

Good progress in unfavourable conditions

Unaudited results of the Group for the six months to 31 March 1984

		Six months to 31.3.84 £000		Six months to 31.3.83 £000
Turnover				
Construction and related activities		85,760		71,005
Trading profit				
Profit before taxation		1,670		1,367
Taxation		250		95
Profit attributable to shareholders		1,420		1,272
Dividends				
On Preference Shares (six months)	1		1	
On Ordinary Shares—interim	276	277	215	216
		1,143		1,056
Earnings per share		8.26p		7.40p

The Directors are pleased to report that:

- Group profit before tax for the first half of the financial year ending 30th September 1984 increased to £1.67m, an increase of 22.2% over the corresponding period last year.
  Growth in some sectors of the Group's activities and an overall improvement in operational efficiency combined to increase the turnover and profit in this period. The broad spread of development, housing and construction related activities within the Group continued to create opportunities for profitable growth despite market conditions which were far from favourable.
- **In the first half of the year:**
  The **Building Division**, in the face of intense competition, maintained its contribution to the Group's overall results but rejected unprofitable growth.
  The **Plant Company** performed well and exceeded its profit expectations.
  Homes Division. Sales of both private and partnership housing increased compared to last year and there was a consequent improvement in profit.
  The **Industrial and Commercial Developments Division** completed office developments at *Hounslow and Uxbridge, the latter* now occupied by the **Building Division.** Berkeley Square has been let but lettings generally remain slow.
  The benefits of last year's reorganisation of the **Timber Division** contributed to an improved profit, despite pressure on softwood prices.
  Continued improvements in our USA operations give rise to the expectation that there will be a move to profit next year, although high interest rates still dominate prospects.
- The Group's affairs are conducted on the premise that Government policies in relation to capital investment in the public sector will provide little relief to the Industry. Investment in and expansion of the Group's private sector activities have enabled growth to be maintained in the first half of the year.

Negotiations for the acquisition of Essex & Suffolk Properties Ltd were concluded satisfactorily subsequent to 31st March 1984. The Group's results will benefit from the profit made by this Company in the second half.

Whilst the effect of recent Budget changes and current industrial unrest cannot yet be fully assessed, the Board anticipates continuation of the Group's progress and a satisfactory outcome for the year.

It is proposed, therefore, to pay an interim dividend of 1.4p (1983 1.25p) per share on 1st October 1984 to Ordinary Shareholders on the Register at 17th August 1984 in respect of the year to 30th September 1984.

Gerrards Cross, Bucks
19 July 1984

Lovell

NORTH AMERICAN QUARTERLY RESULTS

AMERICAN ELECTRIC POWER
Electric utility

Second quarter	1984 $	1983 $
Revenue	1.17bn	985m
Net profits	97.8m	74.9m
Net per share	0.53	0.43
Six months		
Revenue	4.79bn	4.04bn
Net profits	503.9m	314.9m
Net per share	2.81	1.85

AMERICAN HOME PRODUCTS
Drugs, food, household products

Second quarter	1984 $	1983 $
Revenue	1.26bn	1.15bn
Net profits	158.3m	142.9m
Net per share	1.02	0.91
Six months		
Revenue	2.58bn	2.35bn
Net profits	331.1m	300.1m
Net per share	2.13	1.91

AMERICAN NATURAL RESOURCES
Natural gas transmission, storage and exploration

Second quarter	1984 $	1983 $
Revenue	720.7m	751.5m
Net profits	60m	40.6m
Net per share	1.61	1.11
Six months		
Revenue	1.82bn	1.73bn
Net profits	127.6m	101.5m
Net per share	3.44	2.79

CHAMPION INTERNATIONAL
Lumber, building materials

Second quarter	1984 $	1983 $
Revenue	1.2bn	1.1bn
Net profits	40.1m	25.6m
Net per share	0.65	0.40
Six months		
Revenue	2.3bn	2.1bn
Net profits	69m	34m
Net per share	1.11	0.49

COMSAT
Satellite Systems

Second quarter	1984 $	1983 $
Revenue	106.9m	109.9m
Net profits	11.7m	16.1m*
Net per share	0.65	0.89*
Six months		
Revenue	212.1m	218.4m
Net profits	24.1m	28.6m*
Net per share	1.33	1.59*

* Includes $4.8m investment gain

CPC INTERNATIONAL
Branded grocery products

Second quarter	1984 $	1983 $
Revenue	1.1bn	1bn
Net profits	50m	48m
Net per share	1.03	0.99
Six months		
Revenue	2.2bn	1.9bn
Net profits	85m	84m
Net per share	1.75	1.73

CRANE
Pollution control, cement

Second quarter	1984 $	1983 $
Revenue	213.6m	195.1m
Op. profits	8.65m	17.02m
Op. per share	0.86	†0.68
Six months		
Revenue	391.1m	358.3m
Op. profits	10.56m	†17.1m
Op. per share	1.04	†1.65

† Loss

DANA
Vehicle parts

Second quarter	1984 $	1983 $
Revenue	925m	714m
Net profits	45.8m	27.1m
Net per share	0.92	0.49
Six months		
Revenue	1.84bn	1.37bn
Net profits	94m	44.4m
Net per share	1.67	0.81

G. HEILEMAN BREWING
Fourth largest U.S. Brewer

Second quarter	1984 $	1983 $
Revenue	374.2m	387.5m
Net profits	171.1m	19.6m
Net per share	0.64	0.74
Six months		
Revenue	683m	635.8m
Net profits	27.3m	28.1m
Net per share	1.03	1.06

HERCULES
Chemicals, plastics

Second quarter	1984 $	1983 $
Revenue	662.7m	569m
Net profits	49.4m	52.3m
Net per share	0.88	0.95
Six months		
Revenue	1.3bn	1.1bn
Net profits	97.1m	79.8m
Net per share	1.74	1.46

IC INDUSTRIES
Consumer products, railway

Second quarter	1984 $	1983 $
Revenue	985.6m	904.8m
Op. net profits	27.9m	16.4m
Op. net per share	0.69	0.39
Six months		
Revenue	1.9bn	1.75bn
Op. net profits	46.7m	23.1m
Op. net per share	1.13	0.46

INSILCO
High tech products

Second quarter	1984 $	1983 $
Revenue	210.8m	180.3m
Net profits	10m	8.8m
Net per share	0.58	0.51
Six months		
Revenue	399m	335.7m
Net profits	16.6m	19.1m
Net per share	0.96	1.11

OLIN
Chemicals, metals, paper

Second quarter	1984 $	1983 $
Revenue	545.3m	490.3m
Net profits	33m	24m
Net per share	1.41	1.01
Six months		
Revenue	1.07bn	963.4m
Net profits	60.2m	46.6m
Net per share	2.55	1.96

PPG INDUSTRIES
Glass, chemicals, coatings

Second quarter	1984 $	1983 $
Revenue	1.1bn	931m
Net profits	85.1m	63m
Net per share	1.23	0.90
Six months		
Revenue	2.1bn	1.8bn
Net profits	160.2m	95m
Net per share	2.29	1.36

PS ELECTRIC/GAS
Utility

Second quarter	1984 $	1983 $
Revenue	969.5m	880.6m
Net profits	121.5m	75.4m
Net per share	0.98	0.64
Six months		
Revenue	2.17bn	2.01bn
Net profits	241.4m	177.2m
Net per share	1.97	1.56

REVLON
Cosmetics and health care

Second quarter	1984 $	1983 $
Revenue	578m	587.3m
Net profits	30.9m	30.1m
Net per share	0.83	0.74
Six months		
Revenue	1.14bn	1.14bn
Net profits	55.6m	53.9m
Net per share	1.51	1.22

RÖHM & HAAS
Chemicals and plastics

Second quarter	1984 $	1983 $
Revenue	554.8m	521.4m
Net profits	51.9m	43.1m
Net per share	2.01	1.67
Six months		
Revenue	1.1bn	983m
Net profits	108.2m	76.8m
Net per share	4.19	2.98

THE KROGER CO
Supermarkets

Second quarter	1984 $	1983 $
Revenue	3.8bn	3.6bn
Net profits	43.3m	35.4m
Net per share	0.96	0.76
Six months		
Revenue	7.4bn	6.9bn
Net profits	62m	56.9m
Net per share	1.38	1.22

TRANSCO ENERGY
Oil and gas

Second quarter	1984 $	1983 $
Revenue	888.4m	885.5m
Net profits	31.5m	26.8m
Net per share	1.21	1.03
Six months		
Revenue	2.03bn	2.05bn
Net profits	71.2m	65.5m
Net per share	2.73	2.51

UPJOHN
Pharmaceuticals

Second quarter	1984 $	1983 $
Revenue	581.7m	519.2m
Net profits	47.64m	43.86m
Net per share	1.56	1.45
Six months		
Revenue	1.14bn	1bn
Net profits	112.66m	89.46m
Net per share	3.69	2.95

U.S. HOME
Home builder

Second quarter	1984 $	1983 $
Revenue	288m	310.5m
Net profits	†5.52m	8.59m
Net per share	†0.16	0.28
Six months		
Revenue	556.9m	570.3m
Net profits	†8.74m	18.2m
Net per share	†0.25	0.53

† Loss

ZALE
Jewellery retailer

First quarter	1984-5 $	1983-4 $
Revenue	222.2m	210m
Net profits	1.75m	2.9m
Net per share	0.15	0.25

RAS RIUNIONE ADRIATICA DI SICURTA'

MILAN - ITALY

The Annual General Meeting of Riunione Adriatica di Sicurtà was held in Milan on 27th June 1984 with Mr. Franz Schmitz in the chair. The Meeting adopted the Company's Accounts for the year ended 31st December 1983, highlights from which appear on the right.

A dividend of Lit. 950 per share was declared on all shares ranking for dividends as from 1st January 1983.

In their Report, the Directors emphasise the favourable effects of management policy during the year, which resulted in an overall improvement in claims ratios (except in the third-motor liability account, where a substantial underwriting deficit was again incurred) and enhanced productivity as reflected in higher margins.

Of the Company's total premium income of Lit. 1,173 bn., Lit. 852 bn. represented primary business written in Italy, which rose by 17.7 %.

Growth in the Life Branch was particularly satisfactory, with premium volume rising by 22.5 % overall and by 25 % in individual *assurances.*

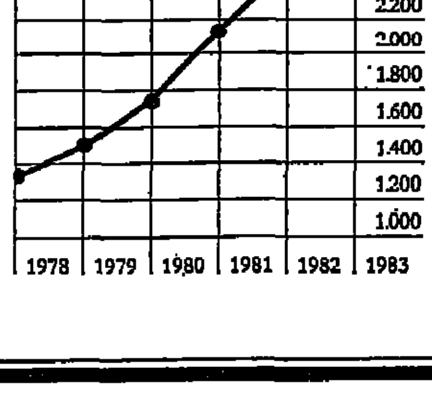
Volume increases in excess of the inflation rate were also achieved in Italy in the Fire, Hail, Miscellaneous Motor, Health and Theft Accounts while somewhat lower increments took place in the Marine, Accident, General Liability and minor accounts.

After adopting the Accounts, the Meeting elected a Statutory Audit Committee in place of that whose three-year term of office had expired. Mr. Alberto Falck was formally appointed a Director of the Company following his co-option to the Board upon the resignation of Mr. Ettore Lolli, who has been elected Honorary Chairman. Finally, Mr. Alfredo Solustri, former General Manager of Confindustria, was also elected Director.

HIGHLIGHTS OF ACCOUNTS (£)
RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES

	1983
Premium Income	488,639,558
Investment Income	82,150,154
Claims, Maturities and other Benefits paid	277,701,799
Insurance Reserves, Non-Life Branch	438,850,814
Insurance Reserves, Life Branch	324,444,937
Life Sums assured	2,521,755,994
Share Capital	36,408,841
General Reserves	221,805,112
Profit for the year	6,274.480

PREMIUM INCOME OF THE RAS GROUP (ITALY AND ABROAD)



SALES OF THE RAS GROUP

Premium income breakdown in 1983 (in £)

RAS (in Italy and abroad)	488,639,558
Other Italian Group Companies	98,768,600
Foreign Group Companies	601,566,677
Total premiums	1,188,974,835

RAS Group, Life Business
Total Sums assured ..... £ 5,575,882,972

THE PROPERTY MARKET BY MICHAEL CASSELL

Rank Xerox heads for green fields and lower costs

THE COMMISSIONING of a £30m "showcase" headquarters complex in the heart of the Buckinghamshire countryside may not, at first sight, seem the most obvious way for a company to fight cut-throat competition, escalating costs and faltering profits. Rank Xerox, however, sees things differently.

Last week, the reprographics and office systems group unveiled detailed proposals for its news international headquarters, designed to provide the most advanced, computer-based office environment in western Europe and capable of taking the organisation well into the 21st century.

In deciding to decant its international headquarters operations from Rank Xerox House in London's Euston Road (offices in Uxbridge and Aylesbury will also be vacated) the company is joining the ranks of major space users who have been forced by competitive pressures to rethink their entire approach to operational property.

Although the indications are that the latest upsurge in decentralisation has not reached the levels recorded during the exodus of the early 1970s, significant numbers of office occupiers no longer believe that a London base is a necessary expense.

A recent report from Merrill Lynch Relocation suggested that British industry is now spending more than £250m a year on relocating staff within the UK. This time round, however, a move is more likely to be triggered off by the need to economise than by the wish to expand.

For Rank Xerox, the decision to go to Marlow was based on the need to reduce overheads, to restructure its headquarters organisation and to provide accommodation fitting for an operation at the forefront of changes in office technology.

Urgency

By the mid-1970s, cost pressures and competition were mounting and the company began to investigate the possibility of a move with a growing sense of urgency.

Derek Hornby, executive director of Rank Xerox, says rates had an important part to play in the decision. "We had several buildings in central London and were trapped in a cycle of rate increases over which we had no control. The rates bill on Euston Road, for example, has risen from £849,000 in 1980 to £1.7m this year. Where it goes from here is anybody's guess."

Rank Xerox House is held on a long lease from Euston Centre Properties, jointly owned by Stock Conversion and British Land. Hornby says the building was taken at a time—in the 1960s—when life was easier, trading margins were higher and when the group got better returns from putting its cash into the business rather than investing it in property.

"But we came to realise that *there was no good reason* why our strategic headquarters had to be in London. We are a European company and have no more in common with London *than with Paris or any other* European centre."

The search for a suitable location was to embrace over 60 possible locations and by 1980 a *decision to move was finally* taken, even if the right spot had still to be identified. More than once, the group came close to taking existing office space to the west of London but, in early 1983, announced its intention to develop a custom-built headquarters on a greenfield site at Marlow. The complex will accommodate 850 people.

The decision was based on a detailed analysis of where the majority of headquarters employees already lived (70 per cent will not have to move home *in order to work at Marlow*) and on the need for good communications and close proximity to the high-technology industries along the M4.

For those staff who do have to move and who qualify for help, the company will help pay associated fees and costs up to a level equivalent to 12 months' gross salary. Rank Xerox says it has built £5m into the relocation budget, phased over two years, to cover the costs of moving and retraining personnel. The company expects to lose about 180 junior staff in the move and they will be replaced by local recruitment.

The other principal costs *involve the building itself,* though the detailed capital spend analysis has also taken into account some pessimistic assumptions about the time it *will take to assign* the leases on the accommodation to be vacated. "On the worst assumptions, the move to Marlow remains highly attractive," *Hornby says.*

Rank Xerox has already paid £9m for the freehold of the site and, though it is playing its cards close to its chest, it is believed to be seeking to minimise its capital outlay via a sale and leaseback deal.

The proposal involves one or more funding partners who will purchase the land and provide development finance for the building, likely to cost around £14.5m. It would then be leased back to Rank Xerox, which is thought to be contemplating an initial annual rent of just over £2m. A funding deal, on which Rank Xerox has been advised by Goddard and Smith, is thought to be very close.

In addition, the company intends to spend £8.5m on equipping the building—which will provide nearly 250,000 sq ft of floorspace—with the latest *generation of office and communications* technology. There will be over 800 electronic, desktop work stations, possibly the highest concentration in any building in Europe, and satellite links with Rank Xerox companies around the world.

According to Hornby: "Just a *few years ago, the investment* in machinery for a senior secretary was a few hundred pounds for a typewriter; at Marlow it will be £10,000 per person."

Overheads

As for the cost-savings to be generated by the Marlow *exercise, Rank Xerox* sees several important areas for reductions in overheads. Though rates on the property have yet to be fixed—building *work is unlikely to start before* October and will not be completed until late 1986—substantial savings are guaranteed.

Equally importantly, an end to the duplication of central services, the creation of an energy-efficient building capable of re-using surplus heat and the employment of the latest telecommunications systems will help cut down operational costs.

Hornby says: "We expect to save £2m a year in hard cash and that does not take into account the improvements in productivity generated by the new headquarters. We will be cutting costs at a time of *intense competition and providing* a working environment that London cannot offer. Our employees, our company and our customers will all be better off."

Investment returns perk up

A SIGNIFICANT recovery in property investment performance is underway, according to the latest set of market indicators from Richard Ellis.

The agents say total returns on property—based on capital value increases and rising rental income—rose by 9.7 per cent in the year ending March 1984, the first upturn on the previous year's figures since 1978. Average capital growth across all property sectors rose by 4.2 per cent and rental values increased by 3.7 per cent.

The indicators are based on a portfolio of over 1,000 mixed properties with a capital value in excess of £1.5bn. *Iain Reid of* Richard Ellis commented: "The figures clearly show that property appears to be moving out of the downward cycle. *Performance* between different types of property still varies widely and shops continue to show the highest rates of return."

● Scottish Life Assurance has paid around £4.5m for the Arcade, linking Bristol's Broadmead shopping centre and Horsefair. Current income of £170,000 a year is to rise with reviews in *the next 18 months.* Hillier Parker represented vendors Bristol city council and Lalonde Bros & Parham acted for Scottish Life.

● *Hampton Trust, where* David Lewis is on the board, is paying Prudential Assurance £700,000 cash for the superior leasehold on The Precinct, Egham, Surrey. Current gross income is £160,000 a year, rising to £250,000 over the next five years. The property includes 21 shops, offices and a supermarket and has been valued by Druce at £2.2m, representing a £900,000 surplus above the book value of Hampton's underlease and the price paid to the Pru. Hampton has also spent £1.5m on buying two office properties in Bracknell and Tottenham.

● **Chesterfield Properties is paying £2m in shares and cash for a company which owns a number of freehold properties—notably the Phoenix Theatre—in London's West End. Phoenix House and a small vacant site are also included. Edward Erdman advised Chesterfield and Moss & Partners acted for National Freehold and Leasehold Properties.**

● **Barclays Bank, through Leighton Goldhill, are seeking offers over £2.5m for 161-162 New Bond Street. The 13,000 sq ft office and retail building is on a 2,000-year lease and is suitable for redevelopment and refurbishment.**

● **Trafalgar House Developments this week confirmed that it has let Plumtree Court, on the site of the old London Evening Standard building, to Coopers & Lybrand. Rent for the 190,000 sq ft office building is thought to be over £17 a sq ft.**

● **Stockley has raised £6.4m by selling two sites in Sutton and Croydon, formerly owned by Trust Securities, as well as properties in Brewer St, Great Windmill St and Smith's Court, W1, acquired in April as part of a larger package.**

● **GUS Property Management has arranged the first lettings at St Nicholas Centre, Aberdeen. Tenants include Miss Selfridge, Roland Cartier and Chelsea Girl. Edward Erdman and Wright & Partners are letting agents for the £30m scheme, being developed with British Rail pension fund and the City of Aberdeen district council.**

● **The National Bus Company pension funds have paid about £3.5m (equated yield 5.6 per cent) for a 2,000-year lease on a retail investment at the corner of Oxfort St and Woodstock St, W1. Tenants include Sacha Shoes and Wimpy. Healey & Baker acted for NBC.**

● **Darcon Properties, where Robert Little, former BR pension fund property investment manager, is managing director, is to develop a £3m office building at 50-51 Fetter Lane EC4, having purchased freehold offices on the site for £870,000. Mason Phillips advised Darcon and De Groot Collis acted for the vendor.**

● **Bredero and Merevale Properties want planning permission for a 120,000 sq ft shopping scheme on Church St, High Wycombe. It will include 21 shops, a 25,000 sq ft store and 13,000 sq ft of offices.**

LAW

FT COMMERCIAL LAW REPORTS

Union ban on civil servants invalid for lack of consultation

REGINA v SECRETARY OF STATE FOR THE FOREIGN AND COMMONWEALTH OFFICE AND ANOTHER, EX PARTE THE COUNCIL OF CIVIL SERVICE UNIONS AND OTHERS

Queen's Bench Division: Mr Justice Glidewell: July 16 1984

CIVIL SERVANTS who have a legitimate expectation that they will be consulted by the Government on proposed changes to their terms of employment, cannot validly be deprived of their rights to union membership and employment protection without prior consultation.

Mr Justice Glidewell so held when making a declaration on the application of the Council of Civil Service Unions (CCSU) and six other applicants, that an instruction excluding certain civil servants from trade union membership, issued by Mrs Margaret Thatcher, as Minister for the Civil Service, and implemented in a instruction by Sir Geoffrey Howe, Foreign Secretary, was invalid.

* * *

HIS LORDSHIP said that there was a branch of the government service called Government Communications Headquarters (GCHQ). Its functions were to ensure the security of UK military and official communications and to provide signals intelligence. Those tasks were of the highest importance and involved secret information vital to national security.

In legal theory all civil servants were members of the sovereign's personal staff, and the terms and conditions on which they were employed were governed by royal prerogative.

Since 1969, by Order in Council, those prerogative powers had been vested in the Minister for the Civil Service. Article 4 of the Civil Service Order in Council 1982, the current Order, provided that the Minister might give instruction "for controlling the conduct of the Service and providing for . . . the conditions of service . . ."

The exercise of that prerogative power was restricted by statute in certain respects, in particular by the Employment Protection Acts of 1975 and 1978.

Under the Acts a civil servant was normally entitled in law to be a member of a trade union. He might not be dismissed because of union membership, and was entitled to complain of unfair dismissal if dismissed for that reason. Those rights were, however, subject to the power of the Crown to withdraw them by certificate under section 138(4) of the 1978 Act, for the purpose of safeguarding national security.

Before January 25 1984 the terms and conditions of service at GCHQ permitted and encouraged membership of a trade union. The Civil Service code, "Estacode," and the GCHQ staff regulations provided for consultations in matters of staff relations.

As a result of GCHQ disruption by strikes and working to rule between February 1979 and April 1981, the Government considered what measures could be taken to prevent such action recurring in the future. The Prime Minister, as Minister for the Civil Service, decided that the conditions of service applicable to GCHQ staff should be revised so as to exclude membership of any trade union other than a *departmental staff* association.

In accordance with the powers conferred on her by article 4 of the 1982 Order in Council, she directed that that should be done. The direction was given orally on December 22, 1983.

On January 25 the Foreign Secretary issued certificates removing employment protection rights from GCHQ staff. Also be made a ministerial statement in the House of Commons, announcing the Government's decision.

On the same day a general notice was given to all GCHQ staff offering, on the grounds of national security, two options: to remain employed at GCHQ but to cease being members of a trade union, and to lose their statutory rights under the Employment Protection Acts; or to transfer to another civil service department not involved in national security. Those who were unwilling to accept either option would be dismissed. A special payment of £1,000 was to be made to all staff who continued to work at GCHQ.

The court's task was to decide whether the Ministers' actions were within their legal powers, and whether they had reached their decision in accordance with the law. It was not for the court to decide what constituted a matter of national security.

Royal prerogative was defined as "the residue of discretionary or arbitrary authority which at any given time was legally left in the hands of the Crown." (See *Att-Gen v de Keyser's [1920] AC 508*).

Mr Brown, for the Government, accepted that the courts had jurisdiction to inquire into the existence or extent of an alleged prerogative, but he submitted that the courts might not go further and inquire whether a Minister exercising a prerogative power on behalf of the sovereign had acted within the limits of his authority.

There was no binding authority on the subject, but there were helpful dicta. In *Laker [1977] 1 QB 643* Lord Denning MR said: "When discretionary powers are entrusted to the executive by the prerogative . . . the courts can examine the exercise of them so as to see that they are not used improperly or mistakenly."

There was no reason in logic or principle why the exercise of a power conferred by Order in Council should not be subject to the same scrutiny and control by the courts as would be appropriate to the exercise of the same power as if it had been granted by statute.

Therefore the exercise by the Minister of her power under article 4 was subject to scrutiny and control by the court on the principles normally applicable to the exercise of statutory powers and the making of decisions under those powers, which affected the rights of the subject.

Normally when a Minister was empowered to give an instruction or make a direction or decision, he did so in a document. However, surprising though it was to have an oral instruction in a matter of the present kind, the direction of December 22 was a proper instruction under article 4. It did "provide for . . . the conditions of service" of GCHQ staff, and was given "for controlling the conduct of the service."

Mr Blom-Cooper, for the CCSU, submitted, *inter alia*, that the direction and the statutory certificates were invalid by reason of lack of prior consultation with the unions concerned.

Before the announcement on January 25 none of the union officers had any intimation that the Government was considering a ban on union membership. Thus there was no consultation of any kind with the unions.

Mr Blom-Cooper submitted that the staff had either a legal right arising from conditions of service to be consulted, or they had a legitimate expectation that there would be consultation. He said the duty to consult arose under natural justice, or fair play.

In *Schmidt [1969] 2 Ch 149, 170* Lord Denning MR said: "An administrative body may . . . be bound to give a person . . . an opportunity of making representations. It all depends on whether he has some . . . legitimate expectation, of which it would not be fair to deprive him without hearing what he has to say." That was the first reference to the concept of "legitimate expectation."

As to the extent and scope of natural justice, Lord Justice Tucker said in *Russell [1949] 1 All ER 109, 118*: "One essential is that the person concerned should have a reasonable opportunity of presenting his case."

Before January 25, GCHQ staff were free not only to be members of trade unions, but were positively encouraged to join. They had the right not to be prevented or deterred from being union members, not to be unfairly dismissed, and to complain to an industrial tribunal in case of unfair dismissal.

Those rights were obviously of the greatest importance to the staff. When a decision by Ministers to withdraw all those rights was in contemplation, fairness (natural justice) required that the decision should not finally be made until the staff, or their unions, had been consulted and their views received and considered.

The terms and conditions of service did not bind the Ministers to consult in that way, but the GCHQ staff had a legitimate expectation that they or their unions would be consulted before any decision was made to withdraw those rights.

The passages in the Estacode and the GCHQ Regulations providing for consultation were, in effect, promises by the Government to consult about any change of substance in the terms and conditions of service. If consultation about such changes was promised, it would certainly be a "legitimate expectation" that the right to be a member of a trade union would not be removed without consultation.

The area for consultation would be limited because of the national interest and security considerations, but it would not be so limited that consultation would have been totally ineffective and futile.

If the Government said that national security required that GCHQ should be totally free from threat of disruption by industrial action, there would still be open for consultation the issue as to whether that could only be achieved in the manner proposed, or whether some other course would achieve the desired objective. The unions might not alter the Ministers' views, but it could not be said with any certainty that they would not.

It was therefore declared that the instruction given by the Minister for the Civil Service on December 22 1983 was invalid and of no effect.

For the CCSU: Louis Blom-Cooper QC, Patrick Elias and Richard Drabble (Lawford and Co.).

For the Ministers: Simon D. Brown and John Mummery (Treasury Solicitor).

By Rachel Davies
Barrister

UK COMPANY NEWS

Rothmans improves £21m and lifts dividend to 6p

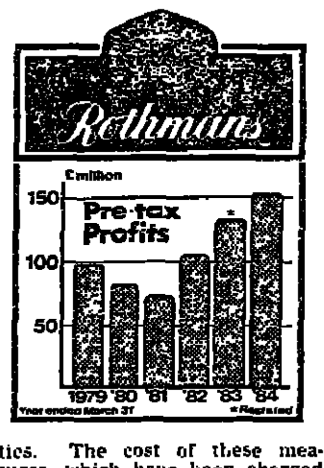
TAXABLE profits of **Rothmans International**, the tobacco, luxury consumer products, brewing and energy group, rose £20.7m to £151.2m in the year to March 31 1984, with the second half giving £75.3m against £63.7m.

Turnover for the 12 months advanced from £1.35bn to £1.51bn and operating profits expanded by 11 per cent from £155m to £171.6m.

These consisted of £123.6m (£121.6m) for the group and £48m (£33.4m) in respect of share of its associates. Assuming associates as 100 per cent held, a breakdown of net sales revenue (£2.29bn against £1.83bn) and operating profits shows: tobacco £1.57bn (£1.43bn) and £158.6m (£156.4m), luxury consumer products (£204m (£80m) and £27.1m (£5.9m), brewing £322m (£238m) and £42.7m (£31.8m) and other activities £195m (£84m) and £12.8m (£1.9m).

The directors state that unsettled trading conditions in the tobacco industry generally had an impact on the group's operations. While satisfactory progress was made in a number of markets, high duty increases and intense competition affected sales elsewhere.

As part of the process of adjusting production capacity to meet demand, further plans were announced during the year to rationalise production facilities. The cost of these measures, which have been charged in arriving at the operating profit, amounted to £23.9m (£16.8m).



The growth in profits by luxury consumer products and other activities reflects, in part, the acquisition of interests in Cartier Monde and Rowenta-Werke last year, the directors explain.

They point out that currency rates were generally favourable during the 12 months, benefiting both the realised earnings from exports and the translation into sterling of the results of overseas companies. Comparison of the average exchange rates in the two periods indicates that translation gains contributed some £9m to the improvement in operating profits.

The pre-tax result was struck after net interest expense of £12.1m (£9.7m) and interest on convertible bonds £8.3m (£14.8m). Tax took £46.5m (£44m) for a net balance of £104.7m (£86.5m) and, after minority profits of £30.9m (£19.4m), the amount attributable came through at £73.8m (£67.1m).

Fully diluted earnings per share were 24.6p (23.9p) while, following bond conversions during the year, basic earnings are stated at 34.6p (42.6p before bond conversions).

The net final dividend is held at 4p, lifting the total payment from 5.3p to 6p at a cost of £12.41m (£5.35m).

Shareholders' tangible funds at the year end registered a 37 per cent increase to £422.3m and are stated after deducting goodwill arising on consolidation amounting to £333.9m. Action to contain stock levels and reduce rates of inflation in many of the countries where the group operates resulted in lower investment in working capital. With a positive cash flow, net interest bearing debt was reduced, the directors report.

See Lex
See Philip Morris, Page 27

GUS rises by £25m and makes good start

AN INCREASE of £25.1m to £226.55m in pre-tax profits has been shown by Great Universal Stores for the year to the end of March 1984. Turnover and pre-tax profits for the first three months of the new financial year are ahead of the same period last year, say the directors after a further increase in provision for deferred finance charges, gross profit and collection costs.

The net final dividend has been lifted from 9p to 10.5p which raises the total from 14p to 16p. Earnings per 25p stock unit are shown as rising from 45.89p to 54.14p.

Turnover grew from £1.83bn to £2.03bn.

Provisions for deferred finance charges are £74.15m (£64.41m) and deferred gross profit and collection costs at £104.92m (£103.61m).

The mail and telephone order catalogue division achieved an encouraging increase in profits, say the directors. This was enhanced by the introduction of improved technology.

Burberry and Scotch House stores had an excellent year with further impressive growth in the value of Burberrys' products exported overseas.

An improved contribution to profit was made by multiple clothing, footwear, furniture and household stores.

● **comment**

Even by Great Universal Stores' own remarkable standards, the group's latests set of figures were astonishingly unexciting. News of a 12.5 per cent improvement in pre-tax profits left the "A" shares unmoved at 495p, where the yield of 4.7 per cent is right in line with the stores sector average. GUS continues to do well what it knows best. Mail order systems have been improved to the point where half the group's agents now telephone orders, volume growth has been well sustained—particularly in clothing—and GUS feels confident enough about Burberry to be planning significant expansion overseas. The share price, however, has fallen by a quarter since the beginning of May, which says almost as much about GUS as about the stores sector in general. The group is proceeding with its usual caution into financial services—and so far has little but success to show for it—but it may be that the market prefers GUS to crank out yearly improvements in retailing profits than to branch out into something less obviously defensive.

£1m rise midway at Eurotherm

REFLECTING a continuance of the recovery experience in the latter half of 1983, profits of **Eurotherm International** for the six months ended April 30 1984 have shot up by £1.05m to £2.66m. And the interim dividend is lifted from 1p to 1.25p *net per share.*

The recovery for this electronics equipment producing group has been worldwide, says the chairman Dr J. L. Leonard. *Overseas sales have leapt by 50* per cent to £15.75m.

The order book continues to be good and there is as yet no indication of any adverse effect from the industrial disputes currently afflicting the UK. There have been some supply problems with certain components, but the second half of the year is expected to produce a continuing improvement.

All companies making or selling temperature controllers *achieved higher sales* and the performance in the U.S. "was outstanding." Similar comment is applicable to the Chessell strip chart recorder companies with the U.S. performing particularly well. However, there has been *no progress in Germany where it* is unlikely further market penetration will be made until the appearance of new product features later in the year.

Total sales for the *half* year came to £26.55m (£18.56m). After tax £1.1m (£665,000) and minorities £23,000 (credit £25,000), the net profit was £1.54m (£969,000) for earnings of 5.71p (3.6p) per share.

● **comment**

Eurotherm has benefited in the UK from the double impact of a sudden release in pent-up demand coupled with a rush by its industrial customers to pack in their process control equipment investments before capital allowances run down. Overseas, the story is one of general economic *recovery—especially in the U.S.* —with useful gains in market penetration in Japan and Australia. Eurotherm has been speeding up its own capital spending partly for tax reasons, which with an increase in working capital requirements has driven up net borrowings from practically zero to £3m or around 14 per cent of shareholders' funds. Orders, meanwhile, have risen by 62 per cent since the turn of the year to more than £12m. Chastened by last year's experience of being *locked in to costly start-up in*vestments when demand for existing products was weak, Eurotherm is cautiously scaling down new venture spending. At the same time, it is keeping an eye on the need to diversify away from mature markets in cyclical industries with a range of new products in computer-aided design and graphics, which could become significant to the group in a couple of years. The City is still looking for a full-*year out-turn of £5.8m pre-tax*, which puts the shares, down 3p to 240p, on a prospective multiple of nearly 19.

BET on target with 22% advance

A JUMP of more than £10m in construction profits helped the **British Electric Traction Company** to lift pre-tax figures by 22 per cent from £70.15m to a record £85.69m in the year to March 31, 1984. Turnover rose by 7.7 per cent to £1.27bn, against £1.18bn.

The result was in line with the estimate of not less than £85m made in May at the time *of the offer for Initial. Mr Hugh* Dundas, the chairman, says the profits increase reflects the strength of the businesses upon which BET has now concentrated its resources.

After a year of substantial change the group has emerged in good shape both financially and structurally. "We look forward to continuing growth and development," says Mr Dundas.

For the current year, all of BET's principal subsidiaries will end their financial years on March 31 and the group's next annual results will, therefore, include 15 months' profits from a number of companies.

Profits for the year under review were after making provision, for the first time, for depreciation on freehold building not previously depreciated. This additional depreciation amounted to £1.1m. Tax took £23.96m (£19.13m) giving after-tax profits up by 21 per cent from £51.02m to £61.73m.

Earnings per 25p share rose by 7 per cent from 27.1p to 28.9p before extraordinary items —27.7p was forecast, while the *final dividend is increased to* 9.75p (8.137p) net for a total payment 20 per cent higher at 12p (10p).

Provision for deferred tax, treated as an extraordinary item, amounted to £37.61m, mostly as a result of tax changes affecting the group's plant hire and cleaning companies. With dividends absorbing £24.56m (£15.23m) there was a retained deficit of £6.15m (£20.6m surplus).

Profits were up in all sectors, except electronics where increased finance costs for the TV and VCR rental business were the main cause of a 33 per cent decline to £13.5m (£20m). Current year profits will be depressed by cable TV start-up costs and the low level of simulator deliveries. Elsewhere however, the publishing performance rose by 75 per cent to £6.3m (£3.6m) and transport by 33 per cent to £25.6m (£19.2m).

Industrial servcies climbed by 10 per cent from £16m to £17.6m with the main improvement from BET's waste disposal companies, and the leisure contribution was 14 per cent higher at £10m (£8.8m).

The construction side surged 237 per cent to £14.5m (£4.3m), following continued recovery in the housebuilding and construction markets and considerable rationalisation and tighter financial control which was imposed during the recession.

BET's results also included £2.6m from its share of the Maureen North Sea oil field, where production started in September, 1983. Profits from oil production will not be repeated however, as the group sold all its oil interests with effect from December 31, 1983.

BET has completed the sale to Granada Group of Rediffusion's TV and VCR rental business and has received the £120m cash purchase price from Granada.

The group is currently awaiting the outcome of its offer for Initial, the first closing date for which is July 27, 1984.

● **comment**

BET's 22 per cent increase in pre-tax profits was slightly better than its earlier forecast. But in an uncertain market, perhaps anxious about the possible effects of the dock strike on BET's transport division, the shares slipped 2p to 223p. Rediffusion's television and VCR rentals business was entirely responsible for the 33 percent profits decline in electronics, underlining that BET is well out of those areas following the sale to Granada. The most notable evidence that the new managerial broom is producing results comes from construction, where economies of scale gained from a series of mergers in the scattered joinery, scaffolding and plant hire businesses have allowed profits to more than triple on a 10 per cent increase in turnover. If the Initial bid gets the green light from the office of fair trading, as seems likely, the major element of BET's tidying up campaign will be completed, although it has a number of smaller acquisitions in mind in publishing and transport. In the meantime, the City is looking for a similar rate of profits increase this year to around £105m pre-tax, which includes a one-off gain of perhaps £8m arising from a change in accounting periods.

HIGHLIGHTS

National Westminster Bank nipped in yesterday morning with a deeply discounted rights issue to raise £236m. After the Budget the announcement was perhaps no more than expected but it does look as if NatWest has stolen a march on the other British clearers while the deepdiscounta voids the cost of underwriting. **British Telecom** released its annual results yesterday and Lex looks at the figures which show that the £1bn profit target was just missed. The column then goes on to comment on the results from *Distillers which unveiled profits broadly in* line with expectations, and finally Lex considers the latest from **Rothmans** which is doing its best to expand its non-tobacco interests.

Dowty edges higher in improving markets

SLIGHTLY BETTER than expected results were turned in by the Dowty Group over the 12 months to March 31, 1984 and with conditions in most of its markets improving the directors look to the future with confidence.

They cannot predict, however, the effect on sales and profit*ability of the miners' strike.*

Despite a near £20m drop in turnover to £402.48m group profits before tax for the full year showed a marginal improvement at £36.52m (£36.4m) aided by a reduction in interest charges.

The group has four trading divisions operating in the aerospace and defence, mining, industrial and electronics industries.

In his preliminary statement Sir Robert Hunt, *the chairman*, says that while the group's second half trading traditionally shows an increase over the first, the comparison this time indicates a rather more dramatic improvement than usual with the second *six* months figures of £24.6m being more than double those of the opening period.

He *explains* that this was partly attributable to the absorption of 75 per cent of the year's closure and redundancy costs in the first half, but was primarily due to increased turnover, accompanied by higher profit margins, throughout the balance of the year.

In his interim statement (pretax profits then showed a shortfall of £5.1m compared with the corresponding period of the previous year) Sir Robert warned shareholders that it was unlikely that group sales and trading profits for the full year would quite match those for 1982/83.

Earnings for the year under review improved by 1.2p to 13.3p and an increased final dividend of 2.8p (2.25p) lifts the total from 3.9p to 4.5p net

*A breakdown of group turn*over and trading profits (£42.29m, against £42.09m) shows aerospace and defence £175.3m (£170.87m) and £25.19m (£23.6m), mining £128.82m (£159.53m) and £9.49m (£10.43m), industrial £44.68m (£42.39m) and £2.24m (£3.17m) and electronics £53.68m (£47.52m) and £3.38m (£4.9m).

Redundancy and closure costs absorbed £5.59m (£4.34m) but interest charges were cut from £1.58m to £660,000 and the share of related companies' profits was ahead at £475,000 (£234,000).

At year-end Dowty's order book was £16m higher than at its commencement. Sir Robert points out, however, that this disguises a trend which is particularly relevant to the aerospace and electronic divisions, namely that order *lead times* are shortening, not only through spares orders from airlines and Air Forces, but also in the scheduling of original equipment.

Hhe adds, therefore, that the beginnings of a recovery now being seen in the aviation field is not fully reflected in the order book.

The group has adequate working capital and resources to meet its plans for the immediate *future.*

● **comment**

If it were not for the miners and dockers, one could afford to be quite bullish about Dowty's *immediate prospects*. As it is, Mr Scargill will be making short work of the company's bread-and-butter profits from the NCB in the current first half while exports, which make up around half of group sales, will be hit if the ports are sealed. This notwithstanding, Dowty's latter half surge is encouraging, if only because it reflects an improving trend in the non-mining divisions, with capacity more in line with demand and working capital under tight control. The latter shows up in the lower interest charge, which reflects a continuing improvement in stock control and a reduction in debtors. The buoyancy of current trading suggests that there should be no need for further redundancies this year. At 137p, up 3p, the p/e is 10—a rating which reflects short-term caution rather than the medium-term potential of good growth fuelled by the growing electronics activities and aerospace/defence.

Gibbs Mew forecast down after subsidiary deficit

THE DIRECTORS of Gibbs Mew, the Salisbury-based brewer which came to the USM last January, have revised downwards the trading profit forecast for the year to March 31 1984 which they made at the interim stage.

They then stated that the trend indicated that results for the 12 months would be in excess of last year's £379,000, but, based on management accounts and a special investigation, a further material deficit in the subsidiary Robert Porter has resulted in a downgrading of this forecast to "at least £200,000."

However, as a result of certain exceptional items, mostly surpluses on property realisation, group profits will be at least £800,000 at the taxable level. This compares with last year's £413,000 pre-tax surplus.

The subsidiary's deficit will entail substantial provisions against profits earned elsewhere in the group, and the directors state that "urgent action is being taken to bring this subsidiary into an appropriate and meaningful position."

Accounts will be published at the end of August and the directors intend to recommend a final dividend of 1.46p net, which with the 1.1p interim will raise the total by 10 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Berisfords	4	—	3	6.6†	4.4
BET	9.75	Oct. 3	8.14	12	10
Bullough ......int	4.5	Sept. 12	3	—	8.4
County Props. ...sec.int	1	—	—	—	1.65
Davy Cpn.	2.59	Oct. 5	2.59	3.69	3.69
Distillers	9.15	Oct. 12	8.5	13.65	13
Dixons	3.4	—	2.64	5	4.09
Dowty	2.8†	Oct. 1	2.25	4.5	3.9
Eurotherm Intl. ......int	1.25				3.25
Fleming Enterprise	5.3	Oct. 8	5.2	7.3	7.2
Gestetner ......int	0.5	Sept. 12	0.5	—	1.32
GUS	10.5	Dec. 20	9	16	14
Y. J. Lovell ......int	1.4	Oct. 1	1.25	—	5.2
TR Trustees	2.2	Sept. 21	2.1	3.4	3.2
Multitone	1.6	—	1.52	2.65	2.52
Romney Trust ......int	1.5	—	1.5	—	4.4
Rothmans Intl.	4	Oct. 2	4	6	5.3

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes two interims to cover 71 week period. ‖ Making 3p to date in current 18 months period.

UK COMPANY NEWS

'Intense activity' lifts Berisfords to over £1m

IN A PERIOD of "intense activity" Berisfords have achieved a result which the directors consider to be "not unsatisfactory."

Profits at the taxable level were £1.03m against £806,000, but the figures now published are for a period of 71 weeks to March 31 1984 following the decision to change the year end. They also include the results of the British Trimmings Group, acquired in April 1983, for 11 months. Any exact comparison with the previous year is therefore not feasible.

British Trimmings now provide something like a third of total turnover, which reached £25.53m (£13.02m), but again the directors advise that the figures are not fully representative of the group as now constituted.

The group is a manufacturer of ribbons, trimmings, labels, lampshades and embroidery.

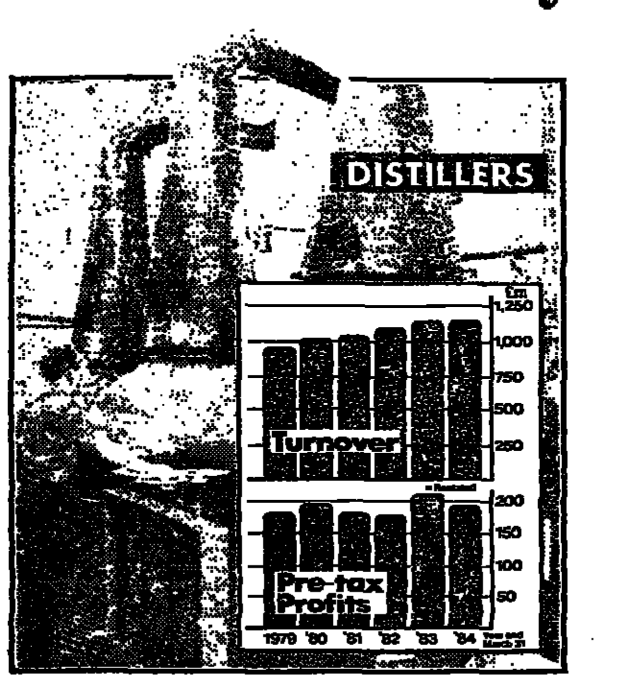
Following the two interim payments a final dividend of 4p net is now recommended, giving a 6.6p total for the period (4.4p).

The merger with British Trimmings and the smaller acquisitions of Hewetsons, at the end of 1982, and Brough Nicholson and Hall, in January 1984, brought into the group companies operating in market sectors in which Berisfords were already engaged.

The integration of the group's new commercial management and the planning of the rationalisation of production has already started but will take some time to complete, the directors state. The start on rationalisation is reflected in the charge for exceptional items at £136,000 (£37,000).

After interest took £568,000 (£119,000), the tax charge increased by £82,000 to £164,000, and minority interests absorbed £20,000 (nil). Attributable profits, before extraordinary items, came out at £881,000, against £704,000. Earnings per 25p share, based on a weighted average of the number of shares in issue during the period, were 17.6p, against a figure of 17.4p based on the number in issue at the end of the last period.

Distillers hit by restricted South American market



AS FOREWARNED at midterm, when a profit decline from £79.3m to £64.9m was reported, the pre-tax result of Distillers Company for the year to March 31, 1984, fell short of that for the previous 12 months, with a figure of £191.6m standing against a restated £209.3m.

The directors report that the year was severely affected by restrictions imposed in a number of export markets, particularly in South America as a result of economic problems.

Group turnover was unchanged at £1.13bn, while trading profits fell by some 10 per cent from £201.7m to £181.6m, largely as a result of the impact on Scotch whisky operations of the lower level of exports.

Income from investment was up from £6.7m to £7.2m, interest received rose from £0.7m to £1.9m and there was a £2m surplus on the realisation of investments. However, share of associates incurred a £1.1m loss this time compared with £0.2m profits previously.

Tax took £63.3m (£70.1m) for net profits of £128.3m (£139.2m) and earnings of 35.35p (38.29p) per 50p share. The net final dividend is 9.15p, raising the total payment from 13p to 13.65p.

There was an extraordinary debit of £9.5m (£11.2m) and dividends cost £49.5m (£47.2m). After these charges and a £60.3m transfer to deferred tax, as a result of the withdrawal of the first year and initial allowances on expenditure on fixed assets, the retained balance fell sharply from £50.8m to £9m.

In a review of the year's trading, the directors say a relatively strong performance by the group's Scotch whisky exports to the U.S., matching last year's figure, enabled Distillers to maintain its share of the lower total volume of blended whisky shipped by the industry to world markets.

Exports of Tanqueray Gin to the U.S. were considerably higher and the volume of group shipments of gin worldwide showed a small increase. As sales to the U.S. of whiskies bottled in Scotland and Tanqueray Gin are invoiced in dollars, the group benefited from the strength of that currency during the year under review.

The food division, in keenly competitive market conditions, was unable to sustain the level of profits which it achieved last year but the Carbon Dioxide company held its earnings at a similar figure to that for 1982-83.

A breakdown of group turnover for the period under review shows: UK £260.2m (£265.2m), overseas markets £546.6m (£553.3m) and duty £327.3m (£306.7m).

Extraordinary items were made up of: rationalisation, redundancy and closure costs £5.9m (£5.7m); goodwill in cost of business interests acquired £0.7m (£1.5m); loss on the sale of a subsidiary nil (£3.6m); corporation tax credit on the above £2.3m (£2.4m); associates rationalisation, redundancy and closure costs £6.1m (£2.9m); corporation tax credit £0.9m (nil).

The slump in the South American business cost Distillers £30m in profits, Mr John Connell, chairman said yesterday.

Currency devaluations had pushed up the cost of many of its best selling brands, particularly in its important Venezuelan market, as overall shipments fell by a third. There was a 16 per cent drop in trade to the Caribbean markets.

Mr Connell said it could take a "year or two" for the economies to sort themselves out. Fortunately, Distillers believed the important U.S. trade had bottomed out—its Dewars brand was now reckoned to be the market leader—with shipments last year down 12 per cent, although the group said it held its share of the market.

Mr Connel remained cautious about prospects. There were "too many uncertainties" to give any indication of how first-quarter trading was going, he stated.

The group admitted that the dock strike could start to bite if it lasted more than a month. Meanwhile, it looked to some overall improvement in its U.S. business with industry shipments already running 7 per cent higher than a year ago, although its own sales to Latin America "may be marginally down."

Mr Connell said there had been no contact with GEC, which recently acquired a 3 per cent stake in Distillers.

See Lex

Growth by Y. J. Lovell lifts profits to £1.7m

DESPITE market conditions which were far from favourable, pre-tax profits at Y. J. Lovell (Holdings) moved ahead from £1.37m to £1.67m for the six months to the end of March 1984. Mr N. E. Wakefield, chairman, anticipates the continuation of group progress and a satisfactory outcome for the year.

Negotiations for the acquisition of Essex and Suffolk Properties were concluded satisfactorily since March. Group results will benefit from the profit from this company in the second half.

The net interim dividend has been lifted from 1.25p to 1.4p. In the last full year a total of 5.2p was paid from pre-tax profits of £4.56m, on turnover of £169.59m.

For the six months turnover of this building contractor grew from £71.01m to £85.76m.

Growth in some sectors of group activities and improvements in operational efficiency combined to increase both turnover and profit in this period. The broad spread of development, housing and construction related activities within the group continued to create opportunities for profitable growth despite unfavourable market conditions.

The building division, in the face of intense competition, maintained its contribution to results. The plant company exceeded profit expectations and sales improved in the homes division and profits rose.

Lettings remain generally slow in the industrial and commercial development sectors, but the timber division contributed to an improved profit. There are expectations of a move to profit next year in U.S. operations.

Tax amounted to £250,000 (£95,000) leaving the attributable balance ahead from £1.27m to £1.42m. Dividends will absorb £277,000 (£216,000).

Boots optimistic as sales rise

Boots reported a 10 per cent increase in retail sales at its UK, Canada, France and New Zealand companies during the group's first quarter in 1984, against the comparable period.

In a reference to the possible effect on sales of the current industrial troubles, Mr Peter Main, the chairman, told the annual meeting that "given some early improvement in trading conditions, I believe that this will be another good year for the company."

Retail sales in the UK were up by 8 per cent, after taking account of the closure of Timothy hWites branches. Sales rose 25 per cent in Canada, 46 per cent in France, and 7 per cent in New Zealand, Mr Peter Main, chairman, told the annual meeting.

Boots the Chemists showed an increase of about 11 per cent, of which 2.5 per cent was due to inflation. Cosmetics and sun-realted products were especially strong in the chemist outlets, the company added.

Pharmaceutical sales rose 20 per cent primarily because of increases in overseas business. This contrasted with the UK, where sales of prescription medicines and hospital products fell by 10 per cent.

Consumer product sales within the industrial division were also "somewhat disappointing" showing an increase of only 7 per cent, although export sales were up by more than 37 per cent.

Boots' best selling painkiller, Nurofen, continues to do well, but was partly offset by sagging sales of toiletries and food products, according to Mr Main.

Sales from the U.S. subsidiary rose by 60 per cent, but Mr Main said that this "high rate of the growth is unlikely to continue for the whole year as price competition has recently intensified."

Boots has just launched its painkiller ingredient, ibuprofen, in the U.S. in two products of different doses, called Advil and Rufen, following the Food and Drug Administration's approval in May of the drug's sale over the counter. The company is currently involved in a severe price war with Upjohn, and recently cut the price of Rufen by 25 per cent, following a 30 per cent cut by Upjohn on its equivalent product, Motrim.

Mr Main warned that external influences such as high interest rates and the miners' and dock strikes could have an increasing effect on sales during the second half of 1984. Not only is consumer spending reduced in areas especially affected by the strikes, but such industrial problems could hurt consumer confidence and further reduce discretionary income. But he said that he "remained an optimist."

Hampson more than doubled

MORE than doubled profits have been earned by Hampson Industries in the year ended March 31 1984. In achieving this the figure has easily passed the "magic million," an ambition which the directors have held for some years.

Turnover of this group of engineers and industrial cleaners rose by £5.65m to £19.21m and the profit was up from £532,000 to £1.12m. The dividend is raised to 0.9p net, from 0.75p, with a final of 0.6p,

Mr J. M. Wardle, the chairman, says the result is not "a flash in the pan." He will elaborate on this point in his annual statement, but says members "can be fairly confident that the group will not go backwards in the current year."

Equitable Life annual premiums advance 27%

Equitable Life Assurance Society, a leading UK mutual life company, reports a 27 per cent jump in its new annual premiums in the first six months of this year from £39.53m to £50.05m. However, single premiums declined 10 per cent in the period from £26.58m to £23.82m.

New annual premiums on ordinary life and endowment business rose 10 per cent from £4.61m to £5.05m, in a period when the Chancellor of the Exchequer terminated Life Assurance Premium Relief (LAPR) in his Budget

However, this increase in business came in the first quarter, reflecting the business written in the few days prior to the Budget following a leak of the Budget proposals. New annual premiums in the first quarter nearly doubled from £1.75m to £3.25m on business affected by LAPR.

In the second quarter new annual premiums were halved from £2.50m to £1.23m. However, the company points out that only 10 per cent of its annual premium business is affected by the loss of LAPR.

New annual premiums for self-employed pensions business rose more than 30 per cent from £23.69m to £31.1m. The company, a leader in this field, benefited from the spate of business arising from the rumours, subsequently denied, that the government was going to tax lump-sum pension payments.

Self-employed pension premiums in May jumped three and a half times from £1.75m to £6.21m.

Disappointing half for Gestetner

LOSSES IN the UK and other EEC countries served by Gestetner Holdings have more than offset a big turnround in North and South America, and the group result for the six months to May 5 1984 is "somewhat disappointing." Profit before tax fell from a restated £3.36m to £2.9m.

The directors find it too early to comment on the second half, but believe the recent reorganisation changes have considerably strengthened the company to meet the challenge of the future. In the year ended November 5 1983 the group turned round from a loss of £3.1m to a profit of £6.86m.

The UK incurred a loss of £675,000 (profit £1.63m), other EEC countries loss £1.32m (profit £804,000), rest of Europe profit £740,000 (£1.01m), North and South America profit £1.98m (loss £2.34m), Africa, Asia and Australasia profit £2.18m (£2.25m).

Turnover improved marginally to £180.35m (£178.37m), but the operating surplus slipped to £6.06m (£6.89m). Investment income came to £1.07m (£736,000) and interest charges to £4.23m (£4.27m). During the period net borrowings have shown a further reduction of £2.9m, as a result of lower working capital and proceeds from the sale of property.

Selling activities produced improved results, but these were reduced by lower profits in manufacturing caused partially by the introduction of a new series of duplicators. The improvement has been "particularly marked" in the American continent, where a major factor was the considerably reduced loss in the U.S.

In the European sales operations, the German company is trading profitably after the reorganisation last year; however, in France there was a loss. In addition, the new UK division, Gestetner Office Automation, is not yet trading profitably. During the period the company introduced a new floor-standing offset machine which has been well received, and continued the phasing in of the production of its latest range of stencil duplicators.

Because of unrelieved losses in certain subsidiaries the tax charge is again high, amounting to £2.89m (£4.23m). Minorities credit is £67,000 (debit £30,000) and extraordinary debits total £47,000 (£5.79m), leaving £29,000 (loss £6.69m) attributable to members. Earnings are shown at 0.14p (loss 1.87p) per share.

An unchanged interim dividend of 0.5p net is declared.

● comment

Gestetner shareholders will have to wait longer than they thought for the rewards of recovery. The City, which was expecting to see £4m-£5m pre-tax in these figures, marked the shares down 9p to 58p and brought down the forecasts for the full year from £12m and more to something close to last year's £6.9m. The trading picture is as uneven as a bad photocopy — greatly reduced losses in the U.S. following a profits in Germany after scrapping direct sales in favour of a dealership system; but in France economic recession has turned profits into losses with little immediate prospects of recovery. In the UK, profits of £1.6m have become losses of £675,000, due to partly to manufacturing problems, but also because of the start-up costs of a new marketing division selling office automation equipment. Gestetner hopes that, as sales of the duplicators it makes decline, this pilot project will point the way towards making better use of its greatest asset, its sales and distribution system. If that means a greater reliance on outside manufacturers, then so be it — sales of Japanese-made copiers already exceed sales of Gestetners own stencil duplicators. Meanwhile, tax will stay high since losses in one country cannot be offset against profits elsewhere. The only consolation is that the loss-making countries, notably the U.S., will have big tax credits to set against the big profits which shareholders hope will one day be made.

COMPANY NEWS IN BRIEF

Compsoft, the data management software house, which Kleinwort Benson is bringing to the USM, has had its offer for sale by tender of 1.89m shares oversubscribed a couple of times at the minimum tender price of 120p per share.

Details of the striking price and basis of allocations will be published today. Brokers to Compsoft are Laurence, Prust.

* * *

An improvement in Channel Islands and International Investment Trust's net asset value per £1 capital share, from 477.58p to 541.11p, was recorded for the six months to June 30 1984.

Net profit for the Jersey-based company emerged at £150,000 compared to £145,000 last time, after Jersey tax of £38,000 (£36,000). Gross revenue improved to £209,000 (£178,000).

Management and other expenses were £31,000 (£23,000). Dealing profit of Channel Trust Finance, the company's subsidiary, was £9,000 (£25,000).

* * *

A severe decline in American technology stock market prices cut the net asset value per 25p share at Independent Investment Company from 370.81p to 278.04p for the year to June 30 1984.

Available revenue for ordinary shareholders of this technology specialist fell from £253,000 to £233,000. However, the net dividend is held at 0.5p.

Income rose to £1.34m (£1.15m), of which £1.21m (£981,000) was unfranked. Interest and expenses took £886,000 (£636,000), and the taxation charge was £184,000 (£227,000). Preference dividends take £38,000 (same).

* * *

For the half-year ended June 30 1984 Greenfriar Investment Co reports a drop in revenue from £130,000 to £87,000, subject to tax of £30,000 (£40,000). At that date, the net asset value was shown to be 224.6p, compared with 239.5p at end-1983 and with 238.3p a year earlier.

In the half-year, dividend and interest came to £219,000 (£233,000) and other income to £3,000 (£10,000). Interest charges were £91,000 (£87,000) and administration expenses £44,000 (£36,000).

* * *

County Properties Group, formerly Assam Trading (Holdings), swung round from £53,000 losses to pre-tax profits of £282,000 in the year to March 31 1984.

The current period will run for the 18 months to September 30 1984, but the directors are confident that on a year-to-year basis, projects will generate profits at least at the current level.

Earnings per 10p share, excluding the associate, McLeod Russel, came out at 3p (1p loss) or 12p (2p) including it. A second interim of 1p net is recommended making 2p to date in the period—last year, a single final of 1.65p was paid for the 12 months.

McLeod Russel increased 1983-84 taxable profits from £1.98m to £3.01m and the directors are confident of a good result for the 18 months.

* * *

RESULTS for the year to March 31 1984 improved marginally at Multitone Electronics, in line with expectations. Pre-tax profits rose from £1.31m to £1.36m, on turnover up from £17.67m to £20.61m.

The directors of this specialised communication systems manufacturer are recommending a final dividend of 1.6p (1.52p), making a total of 2.65p (2.52p). Earnings per 25p share were shown from 8.4p to 5.7p after a substantially heavier tax charge of £506,000 (£94,000).

The pre-tax figure was struck after exceptional relocation costs of £365,000 (nil) and an interest charge of £10,000 (£171,000 credit).

* * *

Bremar Holdings has ceased trading and surrendered its licence as a deposit taker to the Bank of England. Arthur Anderson has been appointed liquidator to the company. The duled for August 1. Arthur first creditors meeting is sche-Anderson said that it had so far received letters from some 700 depositors and trade creditors.

* * *

On earnings up from 7.22p to 7.34p for the year ended June 30 1984, Fleming Enterprise Investment Trust is paying a final dividend of 5.3p for a net total of 7.3p, against 7.2p. The net asset value has risen from 217.6p tot 258.3p over the year at the half-way mark was 248p.

Gross revenue came to £1.26m compared with £1.22m, including dividends received of £1.17m (£1.15m). After administration expenses £197,000 (£160,000) and tax £326,000 (£336,000), the net revenue was £734,00 (£723,000).

UK COMPANY NEWS

Better second half enables Davy to exceed £7.5m

A £1.26m advance in profit has been achieved by Davy Corporation. For the year ended March 31 1984 the pre-tax results was £7.53m, better than expected as the directors were looking for a figure similar to the £3.03m of the first half. In 1982-83 the group made £6.27m, compared with £22.8m and £18.75m in the two preceding years.

Turnover of this engineering and construction group serving the petroleum, chemicals, minerals and metals industries, fell from £705m to £640m. Value of work executed dropped from £921.3m to £588.8m in line with a much reduced level of operating costs.

As to prospects for the current year, chairman Mr H. P. Benson says much depends on the timing of new orders and settlements on current contracts. However, provided the order intake is similar to last year's £179m the group should make *better profits*.

In the past year manning levels were reduced at many of the companies to bring costs more in line with the volume of work available, and redundancy costs of £2.1m (£1.8m) have been charged above the line. The engineering offices in Brussels and Cologne were closed and Head Wrightson Teesdale, the fabricating company, was sold. Cost of these closures was the principal reason for extraordinary costs of £10.5m.

Mr Benson says the overall profit contribution from the engineering companies was £1.3m lower at £11.73m, because of a worsening situation in Germany where losses rose from £3.82m to nearly £7m. UK companies continued to perform well and maintained their profit at £12.17m (£12.07m).

Overall, the U.S. produced slightly higher profits of £4.24m (£3.72m) but showed marked changes in individual company performance. The Australian company continued to do well with profits of £2.35m (£2.42m).

In manufacturing, the chairman says the UK companies did not experience any real change in demand; an increase in profits has come from action in reducing costs and raising productivity. The foundries and forges show a turnround from a loss of £575,000 to a profit of £1.03m.

Mechanical handling profits fell from £695,000 to £548,000 because Herbert Morris South Africa went into loss after some years of good profits.

After tax £1.54m (£1.88m) and the extraordinary debit £10.5m (£15.33m), the net loss for the year is £4.51m (£10.63m). Earnings are stated to be 6.3p (5p) per share. The final dividend is 2.585p for a maintained net total of 3.685p, at a cost of £3.48m.

The net cash position at March 31 was £3m higher at £66m; this was partly due to the receipt just before the year-end of some large progress payments.

● comment

These figures are a measure of the drastic way Davy has had to cut capacity in response to the deep recession in its worldwide markets. So reduced operating costs have led to a 20 per cent increase in profits despite a 10 per cent decline in turnover. And there is little chance of improved demand this year—the forward order load in March was £144.3m, down 5 per cent on the previous year. But there are signs now that the blood-letting, much in evidence in these results, is now largely over, with the sale of the fabrication business, and the closure of offices in Cologne and Belgium. The outlook remains grim in the heavy industries such as steel and chemicals but lighter industries such as food are more buoyant and the group has developed a strong position in gold-mining projects. Everywhere, the giant projects where Davy made its name in the 1970s are few and fiercely competitive but there are enough medium-sized schemes, priced in tens of millions of pounds rather than hundreds, to keep the business in profit. The group should make over £13m pre-tax in the current year, putting the shares up 1p to 63p, on a prospective p/e of only six.

Dixons retail surge boosts profits to a record £20.6m

WITH an almost doubled contribution from the retail side, pre-tax profits at Dixons Group expanded from £14.03m to a record £20.55m for the year to April 28 1984. Mr Stanley Kalms, chairman says he is confident the company will achieve "another excellent year."

The final net dividend has been lifted from 2.64p to 3.4p which raises the total from 4.09 to 5p. Earnings per 10p share are shown as rising from 23.8p to 29.5p.

Group sales moved sharply ahead from £268.37m to £350.76m. At the halfway stage pre-tax profits were 38 per cent higher at £7.62m and a "highly satisfactory" result was anticipated by the directors for the year end. The retail side has shown sharply higher returns at that stage.

For the year under review a breakdown of pre-tax profits shows: retail £14.81m (£7.47m); processing £401,000 (loss £314,000); distribution £642,000 (£880,000); property £2.38m (£2.29m); overseas £2.32m (£3.71m).

Mr Kalms says that although plans can be subject to outside forces such as the unrest this summer, there are definable major trends in economic growth and selling patterns which are "totally reassuring," and he has never been more optimistic about the future growth of Dixons.

At the year end the retail division operated out of 274 shops. During the current year more than 40 new shops are planned and capital expenditure for the retail side is forecast at more than £15m (£13.5m).

The strong second half property divisions performance is continuing into the current year, says Mr Kalms.

Tax took more at £2.96m (£1.76m), and exchange gains were reduced from £2.92m to £1.76m. There were extraordinary charges this time for reorganisation and closure of £2.64m and prior year deferred tax of £3.14m after which net profits emerged down from £15.19m to £13.93m.

● comment

The strength of Dixons' retailing side is little short of staggering. Three to four years ago the group decided to embark upon an aggressive revamp to shed its image of a specialist photographic chain and replace it with a "hi-tech" consumer electricals business. Now the market is being treated to a glimpse of what might be in store with retail sales up 40 per cent. While other chains are talking of a slowdown, Dixons is grabbing market share left, right and centre. No doubt the competition is wide awake to Dixons' achievement but so far a real challenge is yet to emerge. Recent events obviously cast a shadow over the High Street and there must be a question mark against a continuation of the home computer boom. That said the pace of sales could be maintained over the next few months, even if 40 per cent would be asking for too much come next Christmas. With a full recovery overseas expected for this year, the group could reach £26m pre-tax dropping the prospective p/e at 220p to 6½ on a 30 per cent tax charge. The recent price fall has been overplayed.

Bullough up 45% to £4.5m

A "VERY GOOD" performance by Project Office Furniture and first-time contributions from companies acquired during the six months ended April 30 1984, enable Bullough to lift its profits before tax from £3.06m to £4.46m for the period, an increase of 45 per cent.

The experience of other group companies was mixed with improvements from some being offset by poorer results elsewhere.

The second half is expected to produce a further increase in earnings with the five companies acquired since February 1983 contributing for a full six months.

It is pointed out that while the effect of the miners' strike has so far been minimal a prolonged dock strike would adversely affect this forecast.

Earnings for the opening half surged by 4.79p to 14.33p per 20p share on a weighted basis and the net interim dividend is being lifted from 3p to 4.5p—a final of 5.4p was paid previously.

Turnover of this Epsom, Surrey-based engineer and furniture maker rose by £11.29m to £36.96m.

Tax took more at £1.9m (£1.37m) to leave net profits at £2.56m, compared with £1.69m.

The retained balance emerged at £1.73m (£1.15m) after deducting extraordinary debits of £14,000 (£10,000) and interim dividend payments of £811,000 (£533,000).

BANK RETURN

	Wednesday July 18 1984	Increase (+) or Decrease (−) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	
Public Deposits	48,099,333	− 5,271,129
Bankers Deposits	702,037,761	− 48,625,329
Reserve and other Accounts	1,537,836,683	− 162,651,645
	2,296,528,777	− 216,538,003
Assets		
Government Securities	374,175,590	− 67,865,000
Advance & other Accounts	708,150,207	+ 84,351,602
Premises Equipment & other Secs.	1,210,376,211	− 205,550,431
Notes	3,664,612	− 7,946,861
Coin	179,557	+ 5,687
	2,296,528,777	− 216,538,003
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	12,180,000,000	+ 130,000,000
In circulation	12,176,345,388	+ 137,946,861
In Banking Department	3,664,612	− 7,946,861
Assets		
Government Debt	11,015,100	
Other Government Securities	2,889,549,615	− 368,500,529
Other Securities	9,280,444,285	+ 498,500,529
	12,180,000,000	+ 130,000,000

BIDS AND DEALS

Hunting Petroleum sells drilling interests

Hunting Petroleum Services has agreed to sell its directional drilling interests to Teleco Oilfield Services, the measurement-whilst-drilling offshoot of Sonat, the quoted U.S. pipelines and rigs group. The estimated cash consideration will be £17m, which includes £3.3m of discharged debt, to yield a £7.2m book surplus to Hunting after costs and Capital Gains Tax liability.

The interests involved comprise Hunting Drilltech, based in Aberdeen, Magna Tools and two offshoots of U.S.-based Hunting Drilling Services. They suffered a £400,000 aggregate loss last year, after a £500,000 pre-tax profit in 1982, and the deficit this time is understood to have been running at about

A & M Hire

A and M Hire has paid £358,862 to buy D. Jordan and Sons, a company engaged mainly in the hiring of furniture to the theatrical and entertainments industry, including what is probably the best range of police equipment for TV hire.

Of the purchase price, £250,000 came from the share placing proceeds when A and M was brought to the USM. Rationalisation is expected to lead to increased business as well as lower costs.

Diversified pulls out of ECC deal

BY ALEXANDER NICOLL

DIVERSIFIED ENERGIES, a Minneapolis oil industry services company, has pulled out of an agreement in principle to buy the International Drilling Fluids (IDF) subsidiary of English China Clays (ECC) for $60m (£46m).

Mr Bob Carlton-Porter, financial director of the St Austell, Cornwall-based clay and quarrying group, said yesterday that ECC now planned to develop IDF itself. IDF, based in the Netherlands, provides drilling fluids, production chemicals and technical services to the oil and gas industry.

ECC originally sought a partner to help IDF in obtaining U.S. market penetration. But its talks with Diversified Energies eventually led it to believe that IDF should have only one owner.

On this basis, ECC agreed to sell the whole of IDF, and will instead now keep IDF under its own sole ownership. "It is not our intention to enter into other negotiations," Mr Carlton-Porter said.

He said that IDF has recently begun to penetrate the American market under its own steam and has acquired several outlets for drilling mud and production chemicals.

Most of IDF's $55m annual turnover is in Aberdeen and the North Sea, but it also operates in 30 countries including China.

The senior executives of Diversified Energies were all travelling yesterday. But Mr Jay Courage of Simmons and Company International, a Houston investment banking firm which advised Diversified Energies, said:

"It was thought that the recovery of the petroleum services industry was probably going to take a bit longer than had been projected and therefore the price was a bit too high."

"We still think IDF is worthy of a premium price, but the market is perhaps a bit tougher than previously thought," Mr Courage said.

ECC said that since the agreement in principle was announced earlier this month, "no event has occurred and no information relative to the IDF group has come to light which affects a view of its financial position or prospects."

ECC views the long-term prospects of IDF with confidence and plans to give full support to its worldwide development plans.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based solely on last year's timetable.

TODAY

Interims: Commercial Bank of Wales, Electronic Machine, Glasgow Stockholders Trust.

Finals: Atlantic Assets Trust, Black Arrow, Bristol Evening Post, Brunning, Cowan de Groot, Graig Shipping, Harold Ingram, Real Time Control.

FUTURE DATES

Interims:	
CSC Investment Trust	July 24
Edinburgh Amer Assets Tst.	July 25
Mount Charlotte Investments	July 26
Nottingham Manufacturing	July 23
Philips Lamps	Aug 16
Willoughby's Consolidated	July 24
Finals:	
Havelock Europa	July 25
NMC Investments	July 27
Smith (David S.)	July 31
Unitech	Aug 7

Banro loss-maker to be closed

BY ALEXANDER NICOLL

Banro Industries is to close its Lignotock subsidiary only two years after it was set up to manufacture moulded trim components for cars. Lignotock has made heavy losses and was continuing to drain the group's liquidity.

Banro also makes framed windows and sunroofs, train and caravan doors and a variety of other vehicle components. It said these operations would not be affected by the Lignotock closure.

Mr John Hooper, finance director, said Lignotock had failed to find a big enough market, and that its specialised factory could not be used for other products. Lignotock makes, under licence from a West German company, wood and resin-based components such as the parcel tray behind the back seat of a five-door car.

Among the models which it was designed to serve were the Ford Sierra and BL's Maestro, but Lignotock's orders did not match up to expectations.

Banro's attempts to find a buyer were unsuccessful, and it expects to have completed the closure by September.

In 1983, Lignotock had a trading loss of £485,000 — Banro itself made a pre-tax profit of £512,000 — and the subsidiary has since suffered a further trading loss of about £200,000. Additional losses of about £80,000 are expected before September.

Banro estimated that other with the closure will total about £462,000, but that this will be reduced by any sale of assets.

Lignotock's turnover in the period from January to September is estimated at £1.35m, compared with Banro's total turnover last year of £24.6m.

Expansion by P. & W. Maclellan

P. & W. Maclellan has agreed terms for a conditional offer to acquire the whole of the ordinary and preference share capital of Johnstone Investment Co., a property investment company based in Johnstone, Renfrewshire. The total consideration will amount to some £1.2m.

Maclellan has been advised that the board of Johnstone will recommend acceptance of the offer.

At June 30 1983 the audited accounts of Johnstone showed net tangible assets of £413,739. The directors report for that year indicated that the market value of the properties was substantially in excess of the book value. Profit before tax for the year to June 30 1983 was £207,785.

BIDS AND DEALS IN BRIEF

Northern Goldsmiths is expanding its retail jewellery side and six further outlets have recently been added for a total cost of £1.36m.

On April 23 1984, Jays the Jewellers, trading as Attenborough and Son, of Fleet Street, London, and Farrer, of Tunbridge Wells were acquired for £737,000. The total consideration was settled by the issue of new Northern Goldsmiths shares.

Seven days later, the assets of Biggs of Farnham were purchased for £93,000 cash.

Nottingham and Walsh, a Torquay retail outlet, was acquired on June 19 for £215,000, with settlement being made by £95,000 in cash and the balance in new shares.

A further addition to the division was made on June 25 when contracts were exchanged to acquire J. A. Haskell, an established family business in Ipswich, for £75,000 in cash.

On July 16, contracts were exchanged to acquire Brookes (Llandudno) for £235,000, of which £210,000 will be made in cash and the balance in new shares of Northern Goldsmiths. The new shares will be retained by the vendors for a minimum period of two years.

* * *

PetroGen Petroleum Inc, a member of the Unlisted Securities Market in London, intends to acquire the assets and liabilities of Petx Petroleum Corporation on the basis of a one-for-five share exchange. If the acquisition is completed 1,612,167 common shares will be issued by PetroGen.

Both companies are based in Denver, Colorado, and are engaged in the oil and gas business. PetroGen has interests in the U.S. and Denmark, and Petx in various locations in America. PetroGen believes the combined cash flow will place it in a strong position to further exploit opportunities for growth.

* * *

IMI has acquired John Watson and Smith, specialist in high precision pneumatic and electro-pneumatic controls for industry. It is based in Leeds, and has current sales approaching £1m per annum.

* * *

Stewart Wrightson Holdings has acquired the business of Peter McRae Group of Companies, a London-based firm of specialist insurance brokers in the life assurance field.

The total consideration for the business, estimated not to exceed £305,000, is payable in cash between July 1984 and July 1987, and is partially related to the future profitability of the business acquired.

A new division of Stewart Wrightson UK Group, known as McRae Stewart Wrightson, is being formed.

Acceptances of the unconditional offers by Hawker Siddeley Group for the outstanding shares in Carlton Industries have been received in respect of 7,494,418 ordinary and 253,465 preference, representing 99.87 per cent and 51.20 per cent of each class of capital.

* * *

Brooks Service Group, the Bristol-based cleaning and textile rental organisation, have acquired Warwick Cleaners, a group of five companies with head offices at Egham, Surrey, operating 17 dry-cleaning and laundry shops in the Home Counties and Thames Valley. The acquisition boosts Brooks Group branches to 55.

* * *

The board of Bowater announces that the High Court has sanctioned the Scheme of Arrangement to implement the demerger of Bowater Incorporated from the corporation and to confirm the related reduction of the corporation's share capital and cancellation of the share premium account.

The conditions for repayment of the corporation's 3¾ per cent debenture stock 1997 and for the 7 per cent unsecured loan stock 1992-97 have accordingly been completed and the two stocks will be repaid at £101¾ per cent and £100 per cent respectively on July 18 1984.

UK COMPANY NEWS

£236m rights issue emphasises banks' need for capital

NatWest steals a march on its main rivals

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE BIG UK clearing banks have taken such a knock this year, what with the Budget tax changes and continuing loan problems at home and abroad, that it was only a matter of time before one of them acted to bolster its balance sheet, as NatWest did yesterday with its £236m rights issue—its first in eight years.

But as Lord Boardman, the bank's chairman, made clear in his message to shareholders, banks will also need sizeable amounts of capital in the years ahead to finance their expansion into the fast-changing financial markets, so they have a double requirement for money. The Bank of England has made no secret of its wish to see banks raise more equity.

The Chancellor's decision to phase out first year capital allowances was specially painful for NatWest. Though second in rank to Barclays, it had the biggest exposure to the leasing business, and was forced to siphon £650m from its reserves to meet tax payments it expected to be able to shelter.

This pulled its key capital ratio down close to the 4 per cent level, normally the trigger point for rights issues (though as the table shows, Barclays and Midland are there, too).

In addition, NatWest has plans to build up a stockbroking and jobbing business to take advantage of changes in the City. It has already acquired a strategic stake in Bisgood Bishop, the stockjobber, and is on the point of clinching a similar deal with a stockbroker, widely tipped to be Fielding, Newson-Smith.

Although the price tag on these deals is small (Bisgood has so far entailed an outlay of only £5m), a securities business of a size worthy of a group like NatWest, the 12th largest bank in the world, would have to be well capitalised.

NatWest also has its eyes set on further expansion abroad, particularly in the U.S., and, as the run-up in life insurance company shares on the London stock exchange yesterday suggested, could be planning a major acquisition in that area. The bank itself was keeping mum about its plans yesterday.

But indicative though NatWest's call is of the UK banks' needs, it poses the other banks with something of a dilemma. One reason why NatWest came as it did is that the queue for equity issues is fairly crowded, particularly with the Government's privatisation programme and it made sense to move quickly, especially since UK bank stocks have been strong this month.

NatWest seems to have stolen a march on its rivals and made it hard for another bank to come to the market for a while. Of the two banks at the trigger point, Barclays is considered a strong candidate: apart from balance sheet considerations, it also has to finance a newly formed securities business, consisting of de Zoete's and Wedd Durlacher, which is very much larger than NatWest's.

Midland, weakened by losses at Crocker, its U.S. subsidiary, needs new equity too, but cannot come to the market because of a weak share price and the lapse of only a year since its last rights issue. Lloyds has no apparent need for new capital at the moment.

In fact, NatWest earned applause for its nimbleness yesterday. Only two months ago, it raised U.S.$400m in a novel perpetual loan stock issue which, along with the rights issue, will have repaired virtually all the damage it has suffered this year. "They have obviously got some good guys advising them," said a City stock analyst.

THE CLEARING BANKS' CAPITAL RATIOS

Free capital as per cent of public liabilities

	1984	1983	1982
NatWest	4.2	4.9	4.5
Barclays	4.1	4.6	3.9
Lloyds	4.3	5.2	4.4
Midland	4.1	4.5	3.9

Source: de Zoete & Bevan. 1984 figures estimated for impact of Budget. After latest loan stock issue and new rights issue NatWest will be 4.8.

Val Reefs lifts interim

BY GEORGE MILLING-STANLEY

THE INTERIM dividend declarations from the Transvaal gold mines in the Anglo American Corporation stable were generally in line with the share market's expectations, although all but Vaal Reefs will be paying a lower amount than last time.

Vaal Reefs' payment of 600 cents (305p) compares with last year's interim of 585 cents, which was followed by a final of 610 cents for a total for 1983 of 1,195 cents.

The associated Southvaal Holdings, whose lease area is mined by Vaal Reefs, plans to pay an interim of 200 cents, compared with 215 cents in 1983.

The latest dividend declarations are compared in the following table.

	June cents 1984	Dec cents 1983	June cents 1983	Dec cents 1982
Elandsrand	*15	20	*20	15
SA Land	*20	30	*30	40
Southvaal	*200	180	*215	210
Vaal Reefs	*600	610	*585	600
W. Deep	*185	215	*210	260

* Denotes interim.

The Anglo group mines yesterday brought the June quarterly reporting season for the South African industry to a close. A number of the mines reported good increases in profits, helped by the continued depreciation of the rand against the U.S. dollar, which ensured a higher gold price in local currency terms.

The gold prices in rand and dollar terms are compared in the accompanying table.

The mines in the Transvaal area generally did rather better in the latest quarter than their counterparts in the Orange Free State, showing improvements in gold output and reductions in unit costs.

Western Deep Levels recorded the biggest single increase in net profits, with a 43 per cent jump to R68.5m (£35m) from the previous quarter's level, which had been affected by an underground fire.

The fire restricted overall tonnage mined in the March quarter, and more importantly limited access to the higher grade areas of the mine.

In the latest period, the average gold grade has jumped from 9.4 grammes per tonne to 10.2 grammes, which helped towards restoring gold production. Western Deep's tax charge was halved to R13.7m, largely because of the increase in capital spending.

The recovery from the effects of the fire is not yet complete, with tonnage mined, grade and gold production still below the targeted levels, but the affected faces are now being reopened and production should be back at the projected amount by the end of the current quarter.

Vaal Reefs also did well, with a rise of over one-third in net profits. An improvement in the gold grade from 8.33 grammes per tonne to 8.56 grammes helped to boost gold profits, and the mine received dividends totalling R13m from Southvaal.

The young Elandsrand continued to make good progress, with a rise of 15 per cent in net profits, helped by improvements in the gold grade and tonnage milled. The commissioning of the sub-vertical shaft, which should take the mine into better grades, is still scheduled for May next year.

The dump retreatment operation, East Rand Gold and Uranium (Ergo) had a poorer quarter, with lower grade slimes leading to a fall in output, while the reduced capital spending meant a higher tax charge.

	June qtr R000	Mar qtr R000	Dec qtr R000
ERGO	12,755	19,803	15,493
Elandsrand	17,199	14,856	18,360
FS Geduld	21,041	20,103	21,610
Pres. Brand	33,694	40,461	29,388
Pres. Steyn	28,838	25,211	24,481
SA Land	957	979	1,135
Vaal Reefs	111,742	82,193	125,179
W. Deep	68,486	47,847	73,184
W. Holdings	33,080	39,573	29,775

Overall net profits of the Free State mines fell by 6.5 per cent to R117.2m, largely because of increases in working costs and the tax liability.

Lower capital spending, which is allowable against tax, led to sharply higher tax payments by President Brand, Western Holdings and Free State Geduld, the last-named suffering a charge in contrast to the tax credit last time.

President Steyn's capital spending rose from R10.9m to R13.6m, so that the tax charge was lower. This left net profits 14 per cent higher at R28.8m.

Denison earning less

SECOND quarter earnings of C$22m at Canada's Denison Mines bring the half-year total to C$41.2m (£23.6m) compared with C$46m in the same period of last year, reports John Sogar from Toronto.

Mr Stephen B. Roman, the Denison chairman, says that the reduction in the latest first-half earnings reflects lower oil and gas revenue from Canada and the Casablanca field in Spain, reduced income from uranium and investments and an increase in spending on oil and gas exploration.

The big 50 per cent-owned Quintette open-pit coal mine in British Columbia is expected to reach full production by the final quarter of this year.

In the past six months coal shipments have amounted to 1.32m tonnes and continue at projected tonnage rates and contract prices to Japanese customers. Output has now reached 12,000 tonnes per day.

GOLD PRICE RECEIVED (R per kilogramme—$ per ounce):

	Qtr ended Mar 31	Qtr ended Mar 31
ERGO	R15,622 ($379)	R15,197 ($381)
Elandsrand	R15,658 ($382)	R15,489 ($390)
Free S. Geduld	R15,652 ($379)	R15,238 ($381)
President Brand	R15,610 ($377)	R15,221 ($381)
President Steyn	R15,571 ($376)	R15,236 ($381)
SA Land	R15,560 ($377)	R15,189 ($380)
Vaal Reefs	R15,650 ($379)	R15,427 ($388)
Western Deep	R15,654 ($382)	R15,333 ($383)
Western Hldgs.	R15,645 ($378)	R15,244 ($383)

Australians offered Argyle stake

THE Australian public is to be offered the most of the Western Australian Government's 5 per cent holding in the big Argyle diamond project. This will be done via the state's newly-formed Western Australian Development Corporation (WADC) which is to launch a A$65m (£40.9m) diamond trust.

The trust will acquire Northern Mining, holder of the Argyle stake, from the Western Australian Government for A$45m. The latter bought Northern Mining from Bond Corporation last October for A$42m.

WADC will offer 60m trust units to the public at A$1 per share while retaining 5m units as trust manager. Each unit will be payable as to 60 cents on application and 40 cents by June 12 1985. Preference will be given to Western Australian residents who apply before August 20.

She trust will make a state-guaranteed minimum annual distribution of 8 cents per unit for the first seven years with minimum distributions expected to be tax-free until end-1989, according to Mr John Horgan, the WADC chairman.

Lead underwriters to the issue are Hill Samuel Securities and the Australian Mutual Provident Society. All members of the Perth Stock Exchange will act as issue brokers, said Mr Horgan.

It is thought in Perth that the "people's trust" could be launching further natural resource schemes over the next six months.

The other shareholders in Argyle are CRA with 56.8 per cent and Ashton Mining with the remaining 38.2 per cent.

FINANCIAL TIMES

Friday July 20 1984

General Electric bond causes problems, Page 36

WALL STREET

Supporters remain hard to find

SECURITIES markets remained in the doldrums on Wall Street yesterday with major investors still uneasy about the outlook for interest rates and the economy, *writes Terry Byland in New York.*

The bond market held on to the general improvement in prices of the previous session, but stocks again lacked supporters, and modest selling pressure was enough to drive the blue chips lower.

At the close the Dow Jones industrial average was down 8.72 at 1,102.92.

The moment of truth for the markets may come next week when two major hurdles will be faced.

First, the Commerce Department will disclose its amended estimate of GNP growth in the second quarter. The department's initial figures, showing growth of 5.7 per cent, badly shook Wall Street, which feared that the Federal Reserve would clamp down on credit flows. Then, at mid-week, Mr Paul Volcker will outline his credit strategies before the Senate Banking Committee.

Stock market indices were depressed once again yesterday, by selling of Merck, the major pharmaceuticals group, which fell $2⅞ to an early $80⅝ on fears of price-cutting in the industry. The board said it knew of no reason for the drop, which has taken 20 per cent off the stock over the past fortnight.

Elsewhere in the sector, Pfizer met some selling, dipping $⅞ to $30¼. Johnson and Johnson also came under fire, retreating $⅝ to $28½. Upjohn at $48 was a further $⅛ off after Boots of the UK confirmed that it was undercutting prices on Motrin, Upjohn's major earning anti-arthritis drug.

Another discouraging factor for the market was the disclosure by Continental Illinois, the troubled Chicago bank, that it will postpone its quarterly report until it can reach agreement with the Federal Deposit Insurance Corporation (FDIC). The bank's stock dipped $⅛ to a new low of $3¾, with the market gloomily expecting a large loss and the FDIC left to pick up the pieces since attempts to arrange a private sector bail-out have seemingly foundered.

Massey-Ferguson, the Canadian tractor and farm machinery group, fell $⅛ to $2½ after a block of half a million shares was traded at $2⅝.

The reporting season for the motor industry opened with results from Chrysler, which eased $⅛ to $27. General Motors at $67⅞ edged forward $⅛ on expectation of good profits news.

Other weak spots among the leading industrials included Transco, down $1 to $40⅝; Burlington Industries, $2⅜ off at $24⅛; Mead Corp, $1⅝ down to $32⅞; and Cray Research, which dipped $1⅝ to $44⅞.

Of the recent speculative features, St Regis dipped $1 to $46⅛ in response to Mr Rupert Murdoch's bid for 51 per cent of the shares. At $60¼, Quaker Oats fell $2⅜ after Merrill Lynch had downgraded the stock. But Merrill also upgraded its view of Lockheed, the aerospace group, which helped lift it $⅜ to $38⅜.

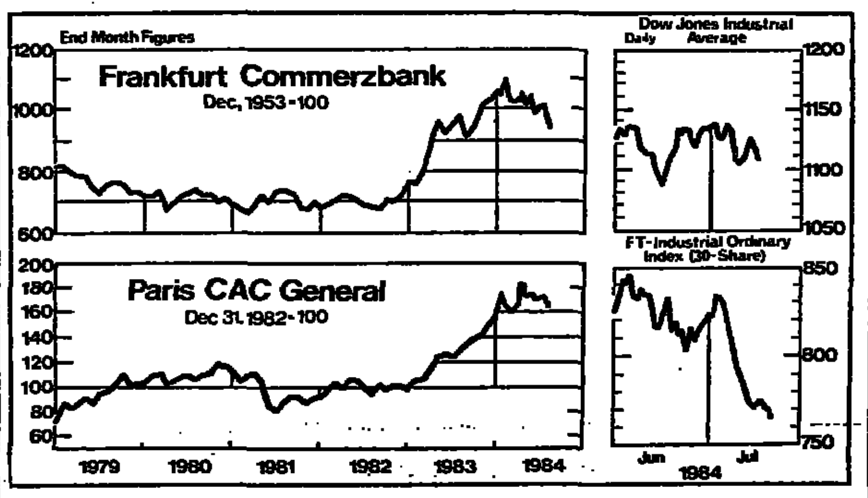
Other scattered features included Harris Corp, the graphics company, which jumped $1⅜ to $27, although the board denied any bid discussions.

In the bond market, the key long bond of 2014 was a touch better at 101 23/32. Turnover was sluggish during the morning, but the past fortnight has seen a gradual advance in bond prices, in part an anticipation of the signing this week by President Reagan of the repeal of the withholding tax, which is expected to increase foreign participation in the U.S. federal bond markets.

Short-term rates slackened a little, encouraged by an easing in the federal funds rate to 11⅜ per cent. Bankers Trust took the opportunity to cut its broker loan rate by half a point to 12 per cent.

Rates on Treasury paper firmed a little in response to the plan to sell $8.5bn in new two-year notes next week.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 19	Previous	Year ago
DJ Industrials	1,102.92	1,111.64	1,197.12
DJ Transport	457.92	482.65	560.0
DJ Utilities	123.94	125.67	130.2
S&P Composite	150.55*	151.40	164.83
LONDON			
FT Ind Ord	764.7	769.8	710.9
FT-SE 100	1,003.0	1,009.0	946.7
FT-A All-share	469.72	472.08	450.06
FT-A 500	505.22	507.58	488.31
FT Gold mines	529.3	529.4	669.4
FT-A Long gilt	11.35	11.29	10.68
TOKYO			
Nikkei-Dow	10,088.79	10,208.25	8,868.66
Tokyo SE	770.47	776.2	654.8
AUSTRALIA			
All Ord.	683.3	678.8	644.0
Metals & Mins.	421.0	417.8	573.6
AUSTRIA			
Credit Aktien	53.55	53.52	55.59
BELGIUM			
Belgian SE	142.01	141.61	128.34
CANADA	July 19	Prev.	Yr ago
Toronto			
Metals & Minls	1,705.3*	1,713.9	—
Composite	2,134.1*	2,151.6	2,448.8
Montreal			
Portfolio	103.01*	104.36	121.7
DENMARK			
Copenhagen SE	185.87	186.68	156.5
FRANCE			
CAC Gen	162.6	165.3	125.0
Ind. Tendance	104.4	106.7	77.8
WEST GERMANY			
FAZ-Aktien	326.5	329.31	323.23
Commerzbank	937.9	945.8	960.6
HONG KONG			
Hang Seng	797.65	791.99	1,088.38
ITALY			
Banca Comm.	208.48	208.88	195.96
NETHERLANDS			
ANP-CBS Gen	150.9	152.8	134.9
ANP-CBS Ind	122.3	123.7	110.2
NORWAY			
Oslo SE	248.51	248.52	191.36
SINGAPORE			
Straits Times	877.9	879.22	939.03
SOUTH AFRICA			
Golds	879.6	878.3	900.5
Industrials	950.2	947.8	921.6
SPAIN			
Madrid SE	127.45	127.27	119.52
SWEDEN			
J & P	1,471.87	1,477.33	1,388.93
SWITZERLAND			
Swiss Bank Ind	380.7	382.0	336.1
WORLD	July 18	Prev	Year ago
Capital Int'l	169.4	170.5	176.5

GOLD (per ounce)

	July 19	Prev
London	$350.75	$345.25
Frankfurt	$350.50	$345.75
Zürich	$350.75	$345.75
Paris (fixing)	$351.34	$348.45
Luxembourg (fixing)	$352.50	$346.75
New York (July)	$347.30	$349.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 19	Previous	STERLING July 19	Previous
$	—	—	1.3265	1.3135
DM	2.8445	2.862	3.7775	3.76
Yen	243.0	243.9	323.0	319.5
FFr	8.725	8.785	11.6	11.54
SwFr	2.407	2.421	3.1975	3.18
Guilder	3.206	3.231	4.2625	4.2425
Lira	1749.0	1751.75	2325.0	2300.0
BFr	57.495	57.825	76.45	75.95
C$	1.32875	1.33175	1.7625	1.7475

INTEREST RATES

	July 19	Prev
Euro-currencies (3-month offered rate)		
£	12¼	12 9/16
SwFr	4 13/16	4⅞
DM	5⅞	5⅞
FFr	12⅝	12⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	12⅛	12 3/16
6-month U.S.$	12⅜	12⅜
U.S. Fed Funds	11 5/16*	11 9/16
U.S. 3-month CDs	11.65*	11.70
U.S. 3-month T-bills	10.01*	10.09

U.S BONDS

Treasury		July 19* Price	Yield	Prev Price	Yield
13	1986	100 13/32	12.77	100 10/32	12.80
13⅞	1991	102 13/32	13.22	102 7/32	13.25
13⅛	1994	99 16/32	13.21	99 13/32	13.23
13¼	2014	101 13/32	13.06	101 5/32	13.09

Corporate	July 19* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	86½	13.80	86½	13.80
3⅞ July 1990	71½	10.45	71½	10.45
8¾ May 2000	67½	13.85	67½	13.85
Xerox				
10⅝ March 1993	83⅝	14.00	83⅝	14.00
Diamond Shamrock				
10⅝ May 1993	82½	14.15	82½	14.15
Federated Dept Stores				
10⅝ May 2013	76¼	14.05	76¼	14.05
Abbot Lab				
11.80 Feb 2013	84⅝	14.05	84⅝	14.05
Alcoa				
12¼ Dec 2012	84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	62-30	63-01	62-22	62-23
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	89.44	89.44	89.37	89.40
Certificates of Deposit (IMM) $1m points of 100%				
Sept	87.92	87.93	87.85	87.87
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	87.76	87.79	87.73	87.64
20-year Notional Gilt £50,000 32nds of 100%				
Sept	98-18	99-10	98-07	98-31

COMMODITIES

(London)	July 19	Prev
Silver (spot fixing)	573.85p	564.95p
Copper (cash)	£1024.50	£1027.00
Coffee (July)	£2196.00	£2210.00
Oil (spot Arabian light)	$27.35	$27.40

LONDON

Cash call provides fresh jolt

A FRESH jolt was given to London financial markets yesterday by NatWest Bank's announcement of a £236m rights issue.

NatWest fell away sharply and touched 602p at one stage before rallying to close with a loss of 27p at 605p. Other retail banks followed fears of further funding moves within the sector.

The FT Industrial Ordinary share index recorded a fall of 9.3 at the first calculation, but later the trend was steadier. The index closed with a net fall of 5.1 at 764.7, another low for the year.

The overnight improvement in U.S. bonds failed to help government stocks. Persistent small selling left long-dated issues with falls ranging to ⅜ and occasionally more, while the shorts were particularly weak and closed with losses extending to ⁷⁄₁₆.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30–31

HONG KONG

CHEAPER short-term interest rates prompted renewed domestic demand in Hong Kong, and the market closed firmer, though off the day's highs after light selling orders from London.

The Hang Seng index ended up 5.66 at 797.65, after a 12.51 rise at the morning close.

Persistent selling of Hongkong Wharf was attributed to disappointment at the absence of a scrip issue or bonus dividend as the group announced profits for the 15 months to the end of March. It finished down 7 cents at HK$3.05.

World International added 13 cents to HK$1.76 as it held its dividend unchanged on higher profits for the year to March 31.

SINGAPORE

A HESITANT mood continued to pervade Singapore trading, but the Straits Times industrial index managed to recoup some of a 3.22 midsession loss to close down 1.24 at 877.90.

Singapore Land slipped 8 cents to S$3.50 as it was announced that the property development company was to receive S$23.8m from Chartered Bank following the breakdown of plans to acquire an interest in the bank's new Singapore headquarters.

Pan Electric continued in demand, topping the actives list and adding 10 cents to S$2.66.

AUSTRALIA

HIGHER international gold and base metals prices provided the impetus for Sydney to move higher in active trading. The All Ordinaries index ended up 4.5 at 683.3.

The rally was led by mining issues although Bougainville Copper slipped 3 cents to A$1.60 following its report of a decline in gold and copper production in the six months to June.

Elsewhere, ACI International rose a further 3 cents to A$1.85 after the forecast in its annual report of good profits for the current year.

SOUTH AFRICA

EARLY gains among gold shares were not sustained in Johannesburg, and the sector closed mixed in a market still hesitant following the rise in bank prime lending rates to record levels earlier this week.

Randfontein ended unchanged at R162.50 while Harmony added 10 cents to R26.

Industrials were also mixed with Barlow Rand down 10 cents to R12.

CANADA

A LOWER tone emerged in Toronto, taking its lead from Wall Street indications, with the decline paced by the base metals and minerals sector and oil and gas issues. Golds proved an exception in early trading, showing a modest advance.

A lower trend was also seen in Montreal with small declines seen in all the major stock groupings.

TOKYO

Downward move gains momentum

THE OVERNIGHT weakness of overseas equity markets, combined with the yen's slide to the year's lowest against the U.S. dollar, sent stock prices down sharply in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Blue chips declined steeply, while incentive-backed issues eased too. Riccar plunged on heavy sales amid worries over a financial crisis.

The Nikkei-Dow market average lost 119.46 to 10,088.79 in slow volume of 267.74m shares, just above the previous day's 261.67m. Declining issues far outnumbered advances 480 to 196, with 182 issues unchanged.

Of the blue chips, Matsushita Electric Industrial shed Y30 to Y1,500, the year's lowest. Hitachi fell to Y795 at one point, below the year's low of Y798 registered on July 13, but bounced back later to close at Y799, off Y10.

Reflecting the slack performance of leading blue chips, high-priced issues plunged. NEC weakened Y20 to Y1,130, Canon Y30 to Y1,120 and Kyocera Y80 to Y5,840.

Only a small segment of incentive-backed stocks were sought. Morinaga was the day's most active at 12.32m shares, rising Y10 to Y452 on speculative purchases. It was followed by Yuasa Battery with 10.95m shares, scoring a maximum allowable daily rise of Y80 to Y412 amid speculation over its possible development of a ceramic-based cell.

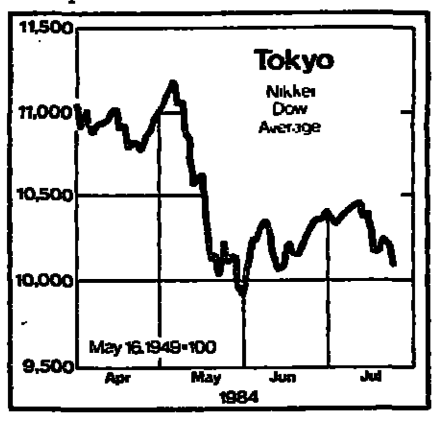
The third busiest was Taiyo Fishery with 10.72m, up Y5 to Y211, and the fourth Japan Storage Battery with 6.54m shares, up Y37 to Y313.

Osaka Transformer, which shot up on Wednesday, lost Y22 to Y315 on heavy profit-taking. The June pace-setters lost ground broadly with Kuraray dropping Y19 to Y746, Asahi Chemical Y7 to Y598 and Onoda Cement Y12 to Y308.

Meanwhile, the Tokyo Stock Exchange resumed trading in stock of the financially troubled Riccar, which was suspended on Wednesday. The sewing machine maker suffered a maximum allowable decline of Y50 from Tuesday to Y107, on sell orders for more than 30.1m shares against buy orders for just 684,000.

The bond market firmed, as the Debt Consolidation Fund bought Y100bn worth of government bonds in early trading. Two issues were purchased, including the 7.5 per cent government bonds due in January 1998.

However, the yen's weakness spurred sales in late trading, keeping the yield on the 7.5 per cent issues unchanged at 7.465 per cent.



EUROPE

Politics just one part in Paris upset

SHARP setbacks were encountered on the Paris bourse yesterday, but the depressed mood was by no means entirely attributable to the composition of the new French Government of M Laurent Fabius.

On Wednesday, the bourse had received news of M Fabius's appointment with equanimity, although many operators were seen to be holding back from adjusting positions until the remainder of the cabinet posts had been filled.

Overnight, however, came official figures showing a slide back into deficit for French trade in June as well as a jump in unemployment. This picture – coupled with Wall Street's poor showing – made for an unhappy start to the day, well ahead of the cabinet details.

Early news that M Jacques Delors would not form part of the new team did evoke some concern, given his reputation as a moderate and his track record while at the Finance Ministry. He was charged with implementing the national austerity programme which has done so much to buoy market fortunes.

The lack of a Communist presence in the line-up had long been regarded – amid the squabbles which beset the outgoing coalition – as a prospect of little consequence either way for the market, so long as the austerity course was maintained.

Bourse participants diverged over whether the allocation of the Finance slot to M Pierre Beregovoy had made the day's outcome worse. The announcement came towards the end of the session, and it was true that the initial markdowns were extended somewhat through the day.

But it was felt that the result – 2.3 off the Indicateur de Tendence at 104.4 – could be regarded at best as a premature assessment of the new administration's political complexion. Details of the budget projections, moreover, came well after the close.

Reflecting the downward drift, Cie Bancaire finished FFr 13 lower at FFr 495 after an opening FFr 11 loss; Pernod Ricard started FFr 20 off and shed FFr 4 more during the session to FFr 752; and Peugeot went from FFr 6 off to a final FFr 10.50 at FFr 184.50.

Bic slipped FFr 5.50 to FFr 400 despite a boost in first-half turnover.

Most other Continental centres ended a dull day mixed to lower, with **Frankfurt** share values faring notably badly. The Commerzbank index retreated 7.9 to 937.9, its lowest since last September.

Deutsche Bank slipped DM 4.40 to DM 318, Nixdorf the same amount to DM 461.60 and Thyssen DM 2 to DM 70.

Options-related selling put **Amsterdam** under pressure. Insurers hit included Aegon, off Fl 3 to Fl 110, but among banks, ABN managed a Fl 2.50 gain to Fl 293. Bonds wilted by about ¼ point amid a new state loan.

Non-ferrous metal issues were a focus of **Brussels** attention on news that holding company Société Générale de Belgique had boosted its stakes in the sector. But Vieille Montagne dipped BFr 75 to BFr 3,970 after recent rises.

In an otherwise dull **Milan**, Olivetti achieved a L119 jump to L5,357, while **Zurich** was enlivened by strong demand in commuter airline Crossair – up SwFr 85 to SwFr 1,060.

Stockholm, Copenhagen and **Oslo** all edged quietly lower, but property issues again led **Madrid** upward.

Closing prices, July 19

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
21	13¼	AAR	.44	2.1	21	39	20½	20½	20½	+ ⅛
22	14¼	AMCA	n	1.7	0	1	14¼	14¼	14¼	− ⅛
18⅞	13¼	AMF	.50	3.2		196	15⅝	15⅝	15⅝	− ⅛
41¾	25⅞	AMR Cp			5	1589	29¼	28⅞	28⅞	+ ½
20⅛	17¼	AMR	pf2.18	11.		37	19¼	19⅛	19⅛	
41½	29⅝	AMR	pf2.13	6.8		553	31½	30⅝	31⅛	+ ¼
25½	23	ANR	pf2.67	12.		2	23⅛	23⅛	23⅛	
16½	9⅞	APL			4	21	10⅝	10⅝	10⅝	+ ¼
55¼	40¼	ARA	2.10	4.0	11	300	53½	52½	52½	− ½
72⅝	45½	ASA	3a	6.1		761	50⅝	49½	49½	− ⅝
30¼	17	AVX	.32	1.8	14	80	19	18¼	18¼	− 1⅛
53⅝	39¼	AbtLab	1.20	3.0	13	2144	40⅝	40⅛	40⅛	− ½
30¼	23¼	AccoWd	.60	2.1	18	146	29	28⅝	29	
27¼	14¼	AcmeC	.40	2.7		2109	15	d14½	14¾	− ¼
12⅞	8½	AcmeE	.32b	3.5	26	14	9¼	9	9¼	
24⅞	11	AdmDg	.04	.3	7	21	12⅞	12⅞	12⅞	+ ⅛
18½	15	AdaEx	2.11e	14.		52	15⅝	15½	15⅝	+ ⅛
19¼	12½	AdmMl	.28	2.2	6	23	13	12¾	12¾	− ¼
22	13½	AdvSys	.80t	5.3	15	27	15½	15¼	15¼	− ¼
18¼	7½	Advest	.12	1.3	12	59	9½	9¼	9¼	+ ½
37½	25⅛	AMD	s		15	9656	29¼	26⅛	26⅛	− 2⅞
22½	9⅝	Aeroflex			10	18	11⅛	10⅝	11⅛	+ ¼
39	27¼	AetnLf	2.64	9.5	15	1738	28¼	27⅞	27⅞	− ⅜
58⅛	54	AetL	pf5.48e	9.9		14	55⅞	55⅝	55⅞	− ⅛
35¼	15¼	Ahmns	1.20	6.2	5	1599	19⅞	19¼	19¼	− ¼
7⅛	2¼	Aileen				30	2⅞	2⅞	2⅞	
51	36½	AirPrd	1	2.5	10	998	41	38⅞	40¼	+ 1⅝
30⅞	15¼	AirbFrt	.60	3.6	9	28	16⅝	16½	16⅝	+ ⅛
3½	1⅛	AlMoa	s			29	3¼	3¼	3¼	
32¼	25¼	AlaP	pf4.92	14.		14	28	28	28	

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 19

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 27

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

July 19	Price Sch%	+ or −
Creditanstalt	206	+1
Goesser	325	
Interunfall	398	
Laenderbank	306	
Perlmooser	359	
Steyr-Dimlera	141	
Veitscher Mag	215	

BELGIUM/LUXEMBOURG

July 19	Price Frs.	+ or −
ARBED	1,408	+8
Banq Int A Lux	5,050	
Bekaert B	3,850	
Ciment CBR	2,325	
Cockerill	231	−1
Delhaize	4,910	+10
EBES	2,455	+15
Electrobel	6,760	−40
Fabrique Nat	1,800	−10
GB Inno BM	3,110	−40
GBL (Brux)	2,160	+10
Gevaert	3,125	+5
Hoboken	6,100	+40
Intercom	1,880	+15
Kredietbank	6,890	−10
Pan Hldgs.	93,00	
Petrofina	6,640	+20
Royale Belge	9,310	
Soc. Gen. Banq	2,990	−5
Soc. Gen. Belge	1,630	+10
Sofina	6,100	+40
Solvay	3,620	+120
Tractionel	3,400	
UCB	4,390	+60
Vieille Mont	3,970	−75

DENMARK

July 19	Price Knr %	+ or −
Aarhus Olie	435	−10
Andelsbanken	216xd	−1
Baltic Skand	695	
CopHandelsbank	242	+2
D. Sukkerfab	640	−10
Danske Bank	235	+2
East Asiatic	199	+3
Forenede Brygg.	925	+26
Forenede Damp.	110xr	−2
GNT Hldg.	475	
I.S.S.B.	548	−2
Jyske Bank	460	−4
Novo Ind	2,250	
Privatbanken	210	+3
Provinsbanken	294	−1
Smidth (F)	221	+2
Sophus Berend.	985	
Superfos	462	

FRANCE

July 19	Price Frs.	+ or −
Emprunt 4½% 1973	1740	+15
Emprunt 7% 1973	9,335	+103
CNE 3%	3,590	+25
Air Liquide	505	−10
BIC	400.0	−5.5
Bouygues	578	−7
BSN Gervais	2,500	−35
CIT-Alcatel	1,012	−38
Carrefour	1,380	−35
Club Mediter'n	873	−19
CFAO	604	−6
Cie Bancaire	495	−13
Cofimeg	226.2	+0.4
Darty	929	−36
Dumez S.A.	675	−5
Eaux (Cie Gen)	498.2	−13.8
Elf-Aquitaine	213.5	−2.5
Gen. Occidentale	635	−8
Imetal	75.0	+5.5
Lafarge Coppee	323.6	−5.4
L'Oreal	2,275	−72
Legrand	1,852	−13
Maisons Phenix	204	−3
Matra S.A.	1,365	−82
Michelin B	770	−37
Midi (Cie)	1,585	−30
Moet-Hennessy	1,560	−30
Moulinex	975	−3.0
Nord Est	48.3	−0.5
Pernod Ricard	752	−24
Perrier	493	−25
Petroles Fra	235.0	−7.1
Peugeot S.A.	184.5	−10.5
Poclain	44.5	
Printemps Au	132.0	−1.8
Radiotech	258.5	−3.6
Redoute	1,011	−4
Roussel-Uclaf	1,260	−28
Sefimeg	243.5	−6.5
Skis Rossignol	1,265	−15
Telemech Elect	1,620	−20
Thompson (CSF)	278.0	−11.4
Valeo	225.0	−0.1

GERMANY

July 19	Price Dm.	+ or −
AEG-Telef	86.2	−2.8
Allianz Vers	751	−3.5
BASF	148.6	−1.6
Bayer	152.5	−2.1
Bayer-Hypo	259	−1
Bayer-Verein	295	−3.5
BHF-Bank	228	−3.5
BMW	363.5	
Brown Boveri	205	−1
Commerzbank	145	−1
Cont'l. Gummi	110.5	−1.2
Daimler-Benz	521	−2.5
Degussa	348.8	−1.3
D'sche Babcoc	141.5	+0.5
Deutsche Bank	318	−4.4
Dresdner Bank	143.5	−3.8
GHH	127.6	−3.3
Hochtief	467xd	
Hoechst	159.5	−2.6
Hoesch Werke	95.5	−1.3
Holzmann (P)	435	
Horten	160	
Kali und Salz	213.0	−1.8
Karstadt	227xd	+1
Kaufhof	199	
KHD	220	
Kloeckner	54.1	−0.7
Krupp	77	
Linde	343.5	−5.5
Lufthansa	140	−0.5
MAN	130.8	−1.3
Mannesmann	132.4	−0.5
Mercedes Hld	457	−1
Metallgesell	212	+1.7
Muench Rueck	1,000	−10
Preussag	224.5	−6.5
Rhein West Elect	155	−0.1
Rosenthal	228	−1
Schering	318.0	−2.2
Siemens	371.5	−2.5
Thyssen	70.1	−2
Varta	168	−2
Veba	160.5	−0.5
V.E.W	113	−1
Verein-West	286	
Volkswagen	164.1	−3.6

ITALY

July 19	Price Lire	+ or −
Banca Com'le	16,980	−20
Bastogi-IRBS	141	−2
Centrale	2,240	−30
Credito Varesino	4,020	−10
Fiat	4,025	−35
Finsider	35.5	−2.2
Generali Assicur	34,300	+400
Invest	2,920	−80
Italcementi	47,000	+300
Montedison	1,144	+8
Olivetti	5,357	+119
Pirelli Co	2,990	−31
Pirelli Spa	1,683	−21
Snia BPD	1,570	−4
Toro Assic.	11,290	−10
do. Pref.	8,740	+40

NETHERLANDS

July 19	Price Fls	+ or −
ACF Holding	157.0	−2.8
AEGON	110	−3
Ahold	176.0	−0.4
AKZO	80.0	−1.3
ABN	293.0	+2.5
AMEV	151.5	−0.6
AMRO	53.5	−0.5
Bredero Cert	168	−4
Bos Kalis Westm.	29.8	−0.3
Buehrmann-Tet.	63.6	−1.0
Calland Hldgs	36.0	−0.5
Credit Lyon'ts Bk	45.5	−1
Elsevier-NDU	81.0	−3.7
Gist. Brocades	138.5	−1.0
Heineken	123	−2.0
Hoogovens	44.8	−1.5
Hunter Douglas	27.5	−0.9
Int Mueller	33.8	−0.2
KLM	158.0	−2.3
Naarden	38.5	−1.4
Nat Ned Cert	203.0	−1.7
Ned. Credit Bank	40	
Ned Mid Bank	126	
Nedlloyd	105.3	−0.2
Oce Grinten	226.0	−1.5
Ommeren (Van.)	25.9	−0.2
Pakhoed	56.0	−1
Philips	43.9	−0.6
Rijn-Schelde	2.8	
Robeco	59.2	+0.2
Rodamco	130.7	+0.1
Rolinco	55.9	−0.2
Rorento	199.5	+0.1
Royal Dutch	147.7	−1.6
Unilever	241.5	−3.0
VMF Stork	119.5	−1.3
VNU	146.0	−1.3
West Utr Bank	74.5	−3.3

NORWAY

July 19	Price Kroner	+ or −
Bergen Bank	153	
Borregaard	362.5	
Christiania Bk	161	
Den Norsk Credit	152.5	
Elkem	136	−1.5
Norsk Data	295	+5
Norsk Hydro	565	−5
Storebrand	205	

SPAIN

July 19	Price Pta%	+ or −
Bco Bilbao	342	
Bco Central	339	
Bco Exterior	201	
Bco Hispano	248	
Bco Santander	330	+1
Bco Vizcaya	389	+3
Dragados	157	
Hidrola	55.2	
Iberduero	62.5	−0.5
Petroleos	133	−0.5
Telefonica	82	−0.2

SWEDEN

July 19	Price Kronor	+ or −
AGA	345	−10
Alfa-Laval	226	
ASEA (Free)	340	
Astra (Free)	385	
Atlas Copco	126	
Boliden	380	
Cardo (Free)	325	−5
Cellulosa	139	
Electrolux B	248	−1
Ericsson	313	−1
Esselte	350	
Mo Och Domsjo	382xa	−3
Pharmacia	275	−5
Saab-Scania	408	−1
Sandvik	400	
Skandia	353	−2
Skan Enskilda	312	−2
SKF	180	−7
St. Kopparbergs	730	−10
Sven Handelsbn.	183	+1
Swedish Match	232	+5
Volvo B (Free)	263	−1

SWITZERLAND

July 19	Price Frs.	+ or −
Alusuisse	722	−18
Bank Leu	3,500	+25
Brown Boveri	1,325	−5
Ciba Geigy	2,190	+5
do. (Part Certs)	1,755	−5
Credit Suisse	2,070	
Elektrowatt	2,370	−10
Fischer (Geo.)	617	+3
Genevoise	3,400	−50
Hoff-Roche PtCts	92,750	−250
Hoff-Roche 1/10	9,230xr	−50
Jacobs Suchard	5,725	−167
Jelmoli	1,722	+5
Landis & Gyr	1,370	
Nestle	5,050	
Oer-Buehrle	1,080	−15
Pirelli	249	−1
Sandoz (Br)	6,850	−150
Sandoz (PtCts)	1,010	−2
Schindler (PtCts)	575	
Swissair	922	+2
Swiss Bank	316	+1
Swiss Reinsce	7,200	−50
Swiss Volksbk	1,330	+10
Union Bank	3,193	−25
Winterthur	2,890	+10
Zurich Ins.	16,950	

AUSTRALIA

July 19	Price Aust $	+ or −
ANZ Group	463xr	+0.01
Acrow Aust.	1.55	
Alliance Oil D.	0.68	+0.01
Ampol Pet	1.60	+0.05
Aust Cons Ind	1.85	+0.08
Aust. Guarant	2.75	−0.05
Aust. Nat. Inds	2.10	+0.02
Aust. Paper	2.19	+0.01
Bell Group	4.20	
Bond Corp Hldgs	1.38	
Boral	3.46	
B'ville Copper	1.60	−0.05
Brambles Inds	2.90	+0.02
Bridge Oil	2.26	+0.01
BHP	9.58	+0.01
CRA	4.60	
CSR	3.22	+0.05
Carlton Utd	4.30	
Castlemaine Tys.	4.25	
Coles (G.J.)	3.80	+0.05
Comalco "A"	2.35	
Consolidated Pet	0.48	−0.01
Costain Aust.	1.55	+0.03
Dunlop Aust.	1.68	+0.12
E.Z. Inds.	6.00	
Elders IXL	3.85	
Energy Res.	1.60	

AUSTRALIA (continued)

[illegible]

HONG KONG

July 19	Price H.K.$	+ or −
Bank East Asia	19.0	
Cheung Kong	7.00	+0.15
China Light	10.6	+0.10
Hang Lung Devel	2.3	
Hang Seng Bank	27.7	+0.20
HK Electric	5.4	+0.1
HK Kowloon Wh.	3.05	−0.07
HK Land	2.27	+0.05
HK Shanghai Bk.	5.5	+0.1
HK Telephone	40.75	
Hutchison Wpa	9.15	+0.10
Jardine Math	6.40	+0.15
New World Dev	2.52	
Orient O'seas	2.12	+0.50
O'seas Trust Bk.	2.60	−0.05
SHK Props	4.67	+0.07
Swire Pac A	13.8	+0.10
Wheel'k Mard A.	2.65	−0.02
Wheel'k M'time	1.9	
World Int. Hldgs.	1.76	+0.13

JAPAN

July 19	Price Yen	+ or −
Ajinomoto	1,140	−20
Alps Electric	1,950	−20
Amada	1,080	−10
Asahi Chem	598	−7
Asahi Glass	746	−7
Bridgestone	548	−8
Canon	1,120	−30
Casio Comp.	1,160	−20
Chugai Pharm	1,000	−30
Citizen	463	−4
Daiei	860	
Dai Nippon Ptg	891	+1
Daiwa House	509	−6
Ebara	346	+25
Eisai	1,000	
Fanuc	7,980	+30
Fuji Bank	885	−5
Fuji Film	1,560	−10
Fujisawa	946	−14
Fujitsu	1,200	−10
Green Cross	1,570	−20
Hasegawa	357	−3
Heiwa Real Est.	544	−4
Hitachi	799	−10
Hitachi Credit	1,210	
Honda	1,150	−10
House Food	734	+8
Hoya	2,000	−90
Itoh (C)	282	−1
Ito Yokado	1,920	+20
Iwatsu	1,210	−60
JACCS	352	+1
JAL	3,000	
Jusco	822	−5
Kajima	280	
Kao Soap	750	
Kashiyama	592	
Kirin	537	−4
Kokuyo	970	
Komatsu	470	−8
Konishiroku	563	−6
Kubota	310	
Kumagai	475	−5
Kyoto Ceramic	5,840	−80
Maeda Const.	497	−3
Makino Milling	1,140	−20
Makita	936	−8
Marubeni	345	−2
Marudai	627	−1
Marui	1,100	−20
MEI	1,500	−30
M'ta Elec Works	629	−6
M'bishi Bank	895	−5
M'bishi Corp.	529	−9
M'bishi Elec	389	−2
M'bishi Estate	470	+1

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON

Chief prices changes
(In pence unless otherwise indicated)

RISES

A & G Security	80	+7
Adams&Gibbon.	170	+6
Bullough	320	+23
Equity & Law	180	+7
Garfunkels	125	+10
Hambro Life	385	+8
ICI	542	+4
Oakwood	55	+5
Pearl Assce.	800	+15
Racal	224	+6
Tate & Lyle	332	+7
Brunswick	34	+4½
Elandsrand	748	+16

FALLS

Assoc. Dairies	142	−4
Barclays Bank	448	−24
Barratt	82	−6
Blue Circle	357	−8
Gestetner A N/V	58	−9
Glaxo	845	−15
NatWest Bank	605	−27
Pilkington Bros.	258	−12
R. Time Control	188	−10
Thorn EMI	407	−10
Bryson O & G	380	−18
Eglinton O & G	168	−20

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 36

CANADA

TORONTO

Prices at 2.30pm July 19

Sales	Stock	High	Low	Close	Chng
14300	Czar Res	160	155	155	−7
8995	Daon Dev	141	140	140	
1353	Merland E	460	455	455	−5
[illegible]					

MONTREAL

Closing prices, July 18

[illegible]

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
[illegible]											

LONDON STOCK EXCHANGE

MARKET REPORT

Equities above worst on dock strike settlement hopes

NatWest weak after £236m 'rights'

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

London financial markets remained extremely sensitive and NatWest's announcement of a £236m rights issue at the outset yesterday gave a fresh jolt to sentiment.

NatWest fell away sharply and touched 602p at one stage before rallying to close with a loss of 27 at 605p. Other Clearing banks followed and recorded falls ranging to 24 on fears of other funding moves within the sector.

The second cash call this week —Thorn EMI proposed a £136m rights issue on Tuesday—proved to be too much for a market already looking vulnerable in the face of continuing upward pressures on short-term UK interest rates.

As a result, leading shares ran into some early nervous selling. Reflecting the initial setback, the Financial Times Industrial Ordinary share index recorded a fall of 9.3 at the first calculation. Thereafter, the trend was quietly steady, but late rumours of a dock strike settlement left the index above the day's worst with a net fall of 5.1 at 764.7, a new low for the year.

The overnight improvement in U.S. bonds failed to help Government stocks, sentiment here too, being adversely affected by the continuing upward movement in money market rates. Persistent small selling throughout the list left long-dated issues with falls ranging to ⅜ and occasionally more, while the shorts were particularly weak and closed with losses extending to $\frac{7}{16}$. The Government Securities index fell 0.32 to a new low for the year of 76.24.

Life issues up again

Life Insurances remained an extremely active and firm area of the market on takeover speculation. Suggestions that NatWest could use the proceeds of its £236m fund-raising call to launch a bid for a life insurance company prompted renewed double-figure improvements. Sentiment was still bolstered by the Government's new personal pension plans and the good new life business figures reported recently by Hambro Life and Equity and Law. Sun Life, up 28 the previous day on rumours of a substantial stake changing hands, moved between extremes of 675p and 650p before closing unchanged at 668p. Pearl jumped 15 to 800p and Prudential put on 10 to 482p, while Britannic added 9 at 502p and Hambro Life 8 to 385p. Legal and General appreciated 13 to 495p. Composites, on the other band, failed to attract further support. Commercial Union drifted down 3 to 212p and Royals relinquished 5 to 462p. Among Lloyds Brokers, Willis Faber advanced 18 to 863p and C. E. Heath firmed 7 to 477p.

NatWest's unexpected fund-raising call sent tremors through the banking sector. The clearers, which had rallied strongly of late in response to the higher lending charges and demand ahead of the impending half-yearly dividend season, retreated sharply on fears that the other clearers, particularly Barclays, would soon follow suit. Prices staged a modest late rally but Barclays still closed with a fall of 24 at 448p, after 443p, while Lloyds gave up 15 at 433p. Midland closed 8 lower at 322p, after 315p.

Both newcomers to the Unlisted Securities Market staged highly successful debuts. Housebuilders Berkeley Group, placed at 85p, opened at 95p and moved up to 99p, while burglar and fire alarms concern Britannia Security opened at 65p and touched 68p prior to closing at 67p compared with the placing price of 62½p. Among other recently-issued equities, Data Design Techniques put on 9 for a two-day gain of 15 to 167p.

A nervous market recently as investors tended to dwell on analyst's profits expectations as low as £175m. Distillers advanced to 292p in initial response to pre-tax earnings of almost £192m. However, closer examination of the profits breakdown promoted a fall in the shares to 283p before closing 2 off on balance at 285p. Elsewhere, Salisbury-based brewers Gibbs Mew fell 5 to 150p on the likelihood of reduced full-year profits following problems at its Robert Porter wine and spirits subsidiary.

Marked down at the outset, leading Buildings drifted lower still in the absence of buyers. Blue Circle settled a net 8 down at a low for the year of 357p, while Tarmac shed 4 more to 406p. Housebuilders took another turn for the worse on worries about the possibility of even higher interest rates. Barratt Developments fell 6 to a low for the year of 82p and George Wimpey eased 2 to 99p. William Leech lost 2 more to 107p; C. H. Beazer's 145p per share cash bid closes today. Among Timber issues, Magnet and Southerns were a dull market and shed 5 to 110p, while Travis and Arnold gave up 10 to 258p.

After opening 4 lower in the wake of Wall Street's overnight setback, ICI picked up on buying ahead of the interim results due next Thursday and the close was 4 dearer at the day's best level of 542p.

Lacklustre conditions again prevailed among leading Retailers. An attempted mid-afternoon rally failed to gain momentum and most settled with modest losses. Preliminary figures from Great Universal, unchanged at 495p, matched market estimates. Woolworth gave up 10 more to 405p, while Burton eased a few pence to 215p. Early business in secondary counters centred on electrical retailers Dixons which revealed slightly better-than-anticipated full-year results and moved between extremes of 225p and 217p before closing at the overnight level of 220p. Occasional interest was noted for Vantona Viyella, 6 dearer at 208p, and for Sumrie Clothes, 3 up at 88p; the latter in front of today's annual meeting. Steinberg hardened a couple of pence to 100p in the wake of a visit by brokers Phillips and Drew.

Thorn EMI friendless

Thorn EMI remained thoroughly depressed by the recent £136m rights issue to help finance the proposed £95m acquisition of Inmos and fell 10 more, making a loss over the past six trading sessions of 109 to a new low for the year of 407p. Other Electrical leaders drifted gently lower with GEC 2 easier at 180p and Plessey, the same amount off at 194p. Racal, however, helped by reports of a favourable broker's circular, rose 6 to 224p. Elsewhere, Eurotherm gave up 3 to 240p, after 235p, despite increased interim profits, while Real Time Control lost 10 to 188p ahead of today's preliminary results. A. and G. Security rose 7 to 80p on speculative support.

Bullough highlighted a lethargic Engineering sector, jumping 23 to 320p in response to the 45 per cent increase in interim profits. Davy Corporation touched 67p on the results before closing a penny harder on balance at 63p.

Among Foods, Tate and Lyle attracted late support and closed 7 higher at 332p, but profit-taking in recent bid favourite Rowntree Mackintosh left the shares a net 4 off at 296p. North of England-based Associated Dairies dipped to 142p before closing a net 4 down at 142p, a two-day fall of 8, on persisting worries that the prolonged miners' dispute was hitting profits. Elsewhere, Culless A moved up 20 to 220p in a restricted market following speculative interest.

Garfunkels Restaurants rose 10 to 125p in response to a newsletter tip.

Pilkington react

The withdrawal of recent speculative support left Pilkington 12 down at 238p among the quietly dull miscellaneous industrial leaders. Glaxo fell 15 to 845p and Unilever relinquished 10 to 865p. Boots closed unaltered at the overnight level of 143p following the chairman's cheerful annual statement. Elsewhere, Gestetner A plummeted 9 to 58p, after 56p, on news of the 13 per cent contraction in interim profits, while BET softened 2 to 228p following unimpressive results. Oakwood reflected speculative buying with a rise of 5 to 55p.

Among Leisure issues, Photax (London) firmed 3 to 43p on news that Sangers Photographic had increased its stake to 20.1 per cent. Television shares displayed a firm spot in LWT A which rose 6 to 240p in belated response to June's improved advertising revenue figures.

Motor Components generally remained dull. Lucas reacted to renewed selling and dipped to 158p before settling a net 4 cheaper at 161p. Automotive Products fell 3 to 63p, while AE eased a couple of pence at 69p. A welcome bright spot was provided by Dowty which having traded down to 132p immediately in front of the announcement, responded to better-than-expected annual profits and closed 3 up on balance at 137p. Among Distributors, speculative support lifted Adams and Gibbon 6 to 170p, but British Car Auction were again out-of-favour and dipped 3 more to 84p. BL gave up 2 to 51p reflecting nervousness ahead of next week's Jaguar flotation.

Business in Properties remained very slow and prices tended to wilt in the absence of interest. County Properties firmed 5 to 62p on the return to profitability, while London and Edinburgh hardened a couple of pence to 172p following news that the company, along with S. and W. Berisford, had agreed terms for the letting of their Billingsgate office development to Samuel Montagu at a rental of over £6 per annum.

Up to 137p in early trading, Rothmans International dipped to 130p before closing a net penny off at 133p following the uninspiring annual results.

Eglinton weak

The oil majors did little more than drift in extremely quiet trading for most of the day before steadying in after hours trading. BP eased to 450p at the outset prior to closing a fraction harder at 453p but Shell were finally 6 off at 606p, LASMO 3 down at 280p and Burmah a couple of pence lower at 169p.

Irish exploration stocks gave up more or less all of the previous day's gains following an Irish newspaper report that Eglinton Oil and Gas has failed to encounter oil in the latest well drilled in Colombia; Eglinton dropped to 160p before closing a net 20 lower at 168p while Bryson Oil, also drilling in Colombia, lost 18 to 380p.

Hunting Petroleum Services fell to a year's low of 122p but later rallied to close 4 up on balance at 130p following the sale of a subsidiary to Teleco for £17m. Anvil Petroleum were an erratic market with the shares dipping to 73p initially before recovering strongly to end the day a net 3 up at 80p.

Elsewhere Australia's Brunswick Oil continued to attract speculative buying interest and rose 4½ more to 34p.

A bright start to the day in mining markets was quickly reversed as bullion turned easier after a firm opening.

The gold price rose to around $352.50 during the morning but subsequently fell away to close $5.6 up on balance at $350.75 an ounce.

South African Golds were marked up initially, reflecting overnight American interest, but then came under persistent selling pressure from Johannesburg. Consequently, widespread early gains of up to a half-point were erased and the majority of stocks were left with minor losses on the day.

Among the leading heavyweights Western Deep were particularly weak ahead of the interim dividend which was not known during market hours and dropped ⅞ to a year's low of £22½ while Vaal Reefs gave up ⅞ to £74½. The quarterly reports from the mines in the Gencor group were in line with market expectations but Buffels remained on offer and fell away to close a half-point off at £34.

Marginal producers were more resilient— Grootvlei rose 16 to 174½p, Marievale 3 to 212p and "Sallies" a like amount to 364p.

Recent good gains in base-metal prices and the strength in bullion helped cushion London Financials against the decline in domestic equities. Charter remained an active market but closed unaltered at 228p despite widespread Press comment on the recent heavy buying interest from one particular source. Consolidated Gold Fields settled 5 to the good at 480p but Rio Tinto-Zinc eased a couple of pence to 530p.

Golds easier

South African Financials were a quiet market but De Beers staged a modest rally and edged up 5 to 480p.

Australians gained ground in early trading, responding to the firm showing in overnight Sydney and Melbourne markets, but drifted off during the afternoon reflecting a marked lack of interest. Leading diversified stocks showed North Broken Hill 3 harder at 133p and Peko-Wallsend a like amount better at 263p but Bougainville were a disappointing market and gave up 4 to a year's low of 102p. The more speculative issues were mixed. Whim Creek added 4 at 164p but Sons of Gwalia dipped 2 to a 1984 low of 27p and Jingellic the same amount to 38p.

Subdued conditions returned to Traded Options and total contracts struck amounted to only 2,504. The FTSE 100 contributed 100 calls and 128 puts. Elsewhere, Barclays were relatively active in the wake of NatWest's cash call, and recorded 146 calls and 96 puts. A lively two-way trade was noted in Bass with 165 calls and 153 puts done.

FINANCIAL TIMES STOCK INDICES

	July 19	July 18	July 17	July 16	July 13	July 12	year ago
Government Secs ...	76.24	76.56	76.79	76.81	76.74	76.44	80.41
Fixed Interest	80.89	80.99	81.00	80.94	81.01	80.97	83.22
Industrial Ord..........	764.7	769.8	770.5	776.0	770.7	771.1	710.9
Gold Mines	529.3	529.4	537.8	553.9	549.2	539.8	669.4
Ord. Div. Yield..	5.19	5.16	5.16	5.12	5.15	5.11	4.53
Earnings, Yld.% (full)	12.04	11.96	11.97	11.89	11.96	11.88	9.01
P/E Ratio (net) (*).....	9.98	10.05	10.04	10.11	10.05	10.12	13.82
Total bargains (Est.)	16,939	16,679	18,526	19,647	21,584	16,835	18,088
Equity turnover £m.	—	150.84	182.00	215.13	283.83	322.44	243.70
Equity bargains	—	10,707	12,311	14,093	17,695	16,800	16,687
Shares traded (ml)...	—	84.9	94.5	122.1	167.9	171.9	136.9

10 am 760.5. 11 am 761.5. Noon 760.8. 1 pm 760.8. 2 pm 760.8. 3 pm 761.5.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.55.

HIGHS AND LOWS — S.E. ACTIVITY

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	76.24 (19/7)	127.4 (9/1/35)	49.48 (3/1/75)
Fixed. Int.	87.48 (14/5)	80.89 (19/7)	155.4 (28/11/47)	50.03 (3/1/75)
Ind. Ord.	922.8 (5/5)	764.7 (19/7)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (5/6)	520.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

	July 18	July 17
Daily Gilt Edged Bargains	166.8	175.9
Equities Bargains ...	69.4	79.8
Value ...	304.9	357.9
5-day Average Gilt Edged Bargains ...	174.6	176.6
Equities Bargains ...	92.8	99.3
Value ...	466.6	523.6

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (9)
AMERICANS (1) Corp. Data Science
ENGINEERING (1) Bailey (C. H.)
FOODS (2) Cullen's Stores, Do. A N/V
INDUSTRIALS (2) IC Inds., Lep Group
INSURANCE (1) Equity & Law Life
TRUSTS (1) Cambrian & Gen. Cap.
MINES (1) Kamunting

NEW LOWS (172)
BRITISH FUNDS (37)
INT. BANK & O'SEAS GOVT. STERLING ISSUES (1)
CORPORATION LOANS (5)
COMMONWEALTH & AFRICAN LOANS (1)
LOANS (3)
AMERICANS (3)
CANADIANS (2)
BANKS (5)
BUILDINGS (13)
CHEMICALS (3)
DRAPERY & STORES (8)
ELECTRICALS (16)
ENGINEERING (9)
FOODS (5)
HOTELS (1)
INDUSTRIALS (18)
INSURANCE (1)
MOTORS (3)
NEWSPAPERS (1)
PAPER (1)
PROPERTY (3)
SOUTH AFRICANS (1)
TEXTILES (4)
TRUSTS (11)
OVERSEAS TRADERS (1)
PLANTATIONS (2)
MINES (3)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	96	6
Corpns., Dom. and Foreign bonds	2	32	46
Industrials	109	299	999
Fin. and Props.	47	141	336
Oils	14	30	76
Plantations	2	6	12
Mines	51	26	98
Others	17	97	150
Totals	242	727	1,723

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Barclays Bank	448	−24
Bryson Oil and Gas.....	380	−18
Distillers	285	−2
Equity and Law Life ...	160	+7
Gestetner A	58	−9
ICI	542	+4
Legal and General	495	+13
Lloyds Bank	433	−15
NatWest Bank	605	−27
Racal Electronics	224	+6
Refuge Assurance	457	+12
Sun Life	668	—

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Bowater	12	230	+2
BTR	12	425	+3
Boots	12	143	−8
Lond. Merchant	12	575	+22
Sun Life	12	668	+28
Ryl. Insurance	11	467	+7
Sarasota New	11	133	—
Sun Alliance ..	11	572	+14
Charter Cons.	10	228	+7
Cmmcl. Union	10	215	+3
Distillers	10	287	+6
Legal General	10	482	+7
P & O Defd. ..	10	305	+9
Rowntree Mck.	10	300	+4

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

For rate indications see end of Share Information Service

Stocks favoured for the call included Fobel, Manganese Bronze, Bristol Oil and Minerals, Unilever, Gestetner A, Selincourt, Turner and Newall, Dufay Bitumastic, Acorn Computer, Ladbroke, Eglinton, Aspinall, Howard Shuttering, Bryson, Bula, Brunswick Oil and Guest Automation. Puts were arranged in MK Electric and Glaxo. No doubles were reported.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur July 19 1984 / Wed July 18 / Tue July 17 / Mon July 16 / Fri July 13 / Year ago
1 CAPITAL GOODS (203)	[illegible]
2 Building Materials (23)	[illegible]
3 Contracting, Construction (30)	[illegible]
4 Electricals (14)	[illegible]
5 Electronics (31)	[illegible]
6 Mechanical Engineering (62)	[illegible]
8 Metals and Metal Forming (9)	[illegible]
9 Motors (17)	[illegible]
10 Other Industrial Materials (17)	[illegible]
21 CONSUMER GROUP (193)	[illegible]
22 Brewers and Distillers (23)	[illegible]
25 Food Manufacturing (22)	[illegible]
26 Food Retailing (12)	[illegible]
27 Health and Household Products (9)	[illegible]
29 Leisure (23)	[illegible]
31 Newspapers, Publishing (13)	[illegible]
32 Packaging and Paper (15)	[illegible]
34 Stores (46)	[illegible]
35 Textiles (19)	[illegible]
36 Tobaccos (3)	[illegible]
39 Other Consumer (8)	[illegible]
41 OTHER GROUPS (87)	[illegible]
42 Chemicals (17)	[illegible]
44 Office Equipment (4)	[illegible]
45 Shipping and Transport (14)	[illegible]
46 Miscellaneous (52)	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]
51 Oils (17)	[illegible]
59 500 SHARE INDEX	[illegible]
61 FINANCIAL GROUP (120)	[illegible]
62 Banks (6)	[illegible]
63 Discount Houses (6)	[illegible]
65 Insurance (Life) (9)	[illegible]
66 Insurance (Composite) (9)	[illegible]
67 Insurance (Brokers) (6)	[illegible]
68 Merchant Banks (12)	[illegible]
69 Property (53)	[illegible]
70 Other Financial (19)	[illegible]
71 Investment Trusts (104)	[illegible]
81 Mining Finance (4)	[illegible]
91 Overseas Traders (14)	[illegible]
99 ALL-SHARE INDEX (742)	[illegible]
FT-SE 100 SHARE INDEX	[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS 12,949

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

July 19. Total Contracts 2,504. Calls 1,582. Puts 922. * Underlying security prices.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	99	Treas 12pc 1984	99	–	12.01	13.13
105	101	Treas. 15pc 1985	101	–	14.72	11.68
102	100	Exch. 12pc Cnv. '85	100	–	[illegible]	11.97
95	93	Treas 3pc 1985	93	–	3.21	11.50
102	99	Treas 11½pc 1985	99	–	11.56	12.04
99	96	Treas 3½pcCnv '85	96	–	9.06	12.02
104	99	Exch. 12½pc 1985	99	–	12.5	12.20
103	99	Exch. 11½pc '86	99	–	11.63	12.25
102	96	Treas 10pcCnv 1986	96	–	10.38	12.24
90	86	Treas 3pc 1986	87	–	3.35	9.27
102	96	Exch. 10½pc Cv '86	97	–	10.82	12.33
104	99	Treas 12pc 1986	99	–	12.06	12.27
98	93	Treas 8¾pc 1984-86	95	–	9.05	12.03
108	102	Exch. 14pc 1986	102	–	13.61	12.45
87	85	Exch. 2½pc 1986	85	–	2.93	9.62
107	101	Exch. 13½pc 1987	101	–	12.08	12.60
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

1984 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34	26	Abbott Labs	30	–1	$1.20	—	3.0
24	11	Ahmanson (H.F.)	15	....	$1.20	—	6.1
34	23	Alcoa $1	25	+	$1.20	—	3.7
30	22	Allied Corp $1	22	–	$1.80		6.1
18	14	Amax $1	14	–	20c	—	1.1
995p	737p	Amdahl 5c	761p	....	20c	—	2.0
24	18	Amer. Express $0.60	20	–	$1.28	—	4.8
19	14	Amer Medical Int $1	17	–	48c	—	2.1
23	20	Amer. Nat. Res. $1	22	....	$1.41	—	4.8
13	10	American T. & T. $1	13	+	$1.20	—	6.9
53	43	Ameritech $1	52	–	$6.00	—	8.8
21	15	Amfac	17	+	$1.44	—	6.5
23p	16p	AndTech	20p	....	—	—	—
16	10	Bankamerica $1	12	–	$1.52	—	9.7
35	27	Bankers N.Y. $10	29	–	$2.45	—	6.3
55	46	Bell Atlantic $1	54	–1	$6.40	—	9.1
23	19	BellSouth $1	22	–	$2.60	—	9.1
20	13	Beth Steel $8	13	....	60c	—	3.4
31	19	Brown'g-Fer. 16⅔c	24	....	96c	—	3.1
23	16	Brunswick Corpn	23	....	80c	—	2.6
28	24	CPC Intnl. 25c	28	–	$2.20	—	6.0
40	30	Campbell Soup 60c	49	–	$2.30	—	3.6
36	26	Caterpillar Tractor	27	–	$1.50	—	4.2
36	27	Chase M'htn $12.5	29	–	$3.5		9.1
24	17	Chemical New York	19	–	$2.36	—	9.1
28	22	Chesebrough-Pond's $1	26	–	$1.92	—	5.7
22	15	Chrysler $6¼	20	....	60c	—	2.3
27	19	Citicorp $4	21	–	$2.06	—	7.3
32	21	City Inv. $1.25	30	–	$2.00	—	5.0
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
370	210	♥Centennial Min's.	260	.....	—	—	—
175	100	♥Colby Res Corp.......	112	.....	—	—	—
955	650	Cons. Murch. 10c .	650xd	−50	†Q100c	1.4	7.9
£20¾	£14	Eastern Trns. Cns. 50c	£14	.....	Q90c	ϕ	3.6
		For Echo Bay Mines see Canadians					
252	165	Hampton Areas 10p .	167	.....	3.75	ϕ	3.1
205	145	♥Highwood Res ...	155	.....	—	—	—
£24½	£16	Homestake Mining $1	£17⅝	−⅛	Q20c	—	0.9
365	260	Northgate C$1.	260	−5	—	—	—
718	520	RTZ	530	−2	16.0	2.5	4.9
£155½	£118	Do. 9½pcLn '95-2000	£118½	−1	Q9½%	35.4	†8.0
110	55	♥Sabina Inds C$1 ..	60	.....	—	—	—
£11¼	862	♥Tara Exptn $1	862	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 163(3)
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

			Fin 13% 97/02 ..	£92⅞	.....
Albany Inv 20p	80	.....	Alliance Gas	65	.....
Craig & Rose £1 ..	808	.....	Arnott	225	.....
Finlay Pkg. 5p ..	45	.....	CPI Hldgs	85	.....
Higsons Brew ..	83	.....	Carrol Inds.	99	.....
Holt (Jos) 25p .	890	.....	Hall (R. & H.)	47	−3
IoM Stm. £1	127	.....	Heiton Hldgs.	16	−2
			Irish Ropes	33	.....
IRISH			Jacob (W.& R.) .	65	.....
Exch. 12% 1985	£98⅝	.....	TMG	50	.....
Nat. 9¾% 84/89 ..	£88⅝	.....	Unidare	00	.....

OPTIONS — 3-month call rates

Industrials		Hawker Sidd	38	Vickers	14
Allied-Lyons. ..	15	Hse of Fraser ..	26	Woolworth Hldg	50
BOC Grp	27	ICI	42		
BSR	26	"Imps"	12	**Property**	
Babcock	17	ICL	7½	Brit Land	22
Barclays Bank	45	Ladbroke	23	Cap Counties ...	16
Beecham	32	Legal & Gen ..	45	Land Secs	25
Blue Circle .	40	Lex Service	40	MEPC	25
Boots.	16	Lloyds Bank	50	Peachey	17
Bowaters	25	"Lofs"	3	Samuel Props	12
Brit Aerospace ..	20	Lucas Inds	18	Sterling Guar. ...	4
BAT	15	"Mams"	14		
Brown (J.) ..	3	Marks & Spcr. ..	20	**Oils**	
Burton Ord .	22	Midland Bk ..	36	Brist. Oil & Min ..	9
Cadburys	11	NEI	10	Brit Petroleum .	55
Comm Union .	16	Nat West Bk ...	60	Burmah Oil ..	17
Courtaulds	11	P & O Dfd ...	25	Charterhall .	9
Debenhams	14	Plessey	20	Premier ..	6
Distillers	22	Racal Elect	18	Shell	55
Dunlop	5	RHM	8	Tricentrol	20
FNFC. ...	6¼	Rank Org Ord	24	Ultramar	60
Gen Accident	42	Reed Intnl	40		
Gen Electric	16	Sears	8	**Mines**	
Glaxo ...	70	TI .	22		
Grand Met	30	Tesco	15	Charter Cons	24
GUS 'A' ...	55	Thorn EMI	55	Cons Gold	58
Guardian	50	Trust Houses. .	18	Lonrho	12
GKN .	20	Turner Newall	10	Rio T Zinc	60
Hanson Tst. ...	17	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 35

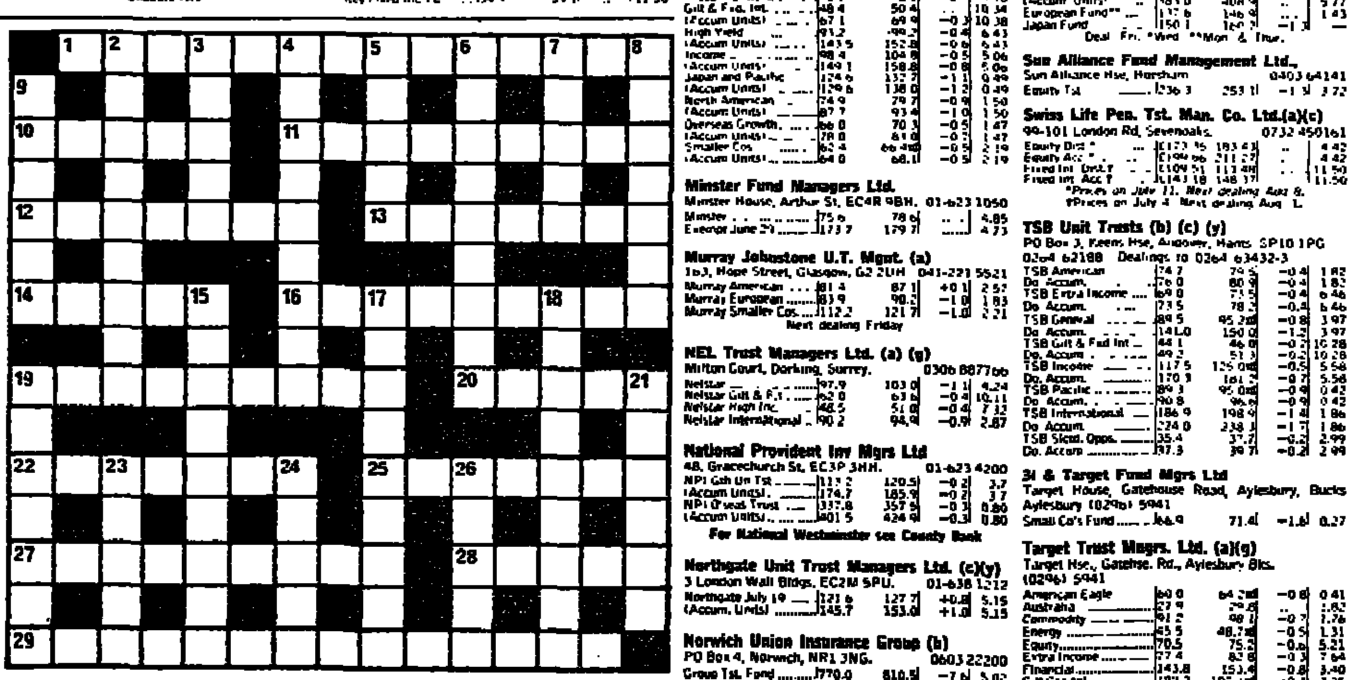
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,470



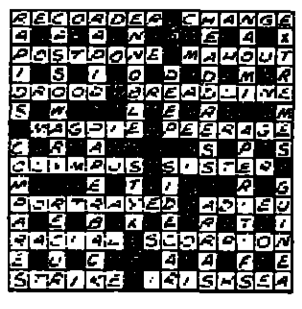
ACROSS

1 Discoloured meat frequent at air base? (8, 6)
10 A row between neighbours, it could be (5)
11 Letters from ten to ship on their way? (2, 3, 4)
12 Learning comes stammeringly to Scottish school (7)
13 Porridge, if not a proper dinner? (3, 4)
14 Odds, oddly (5)
16 String deemed to be torn (9)
19 Sort of sentence with number for us to 'phone? (9)
20 Old star makes most of gift (5)
22 Think what mirrors do (7)
25 Imagine—drink and sit? (7)
27 Old-fashioned name for a horse, outside this crazy country (9)
28 Crazy fellow, I'm dying (almost) to return (5)
29 Large partner's autobiography? (6, 2, 6)

DOWN

2 Simple verdicts are unmounted (9)
3 Baise standing? (5)
4 I love Pooh—I'll stir the mob (3, 6)
5 Illuminating fixture (5)
6 Done too much? Obvious one's a communist (9)
7 Deer sounds like cow, to a point (5)
8 Folded tent and was first to be peeved (7)
9 Irish elves have to defer (6)
15 Jackson's no part of prison, according to Lovelace (9)
17 Unwelcoming piece of witchcraft requiring more clothes? (4, 5)
18 Barber's soon upset in test (9)
19 Junction in mount for racecourse and priory (7)
21, 23 Swift try—ten nought have been the majority (6-5).
24, 26 Biggest dab little Tom put in paper? (5-5)

Solution to Puzzle No. 5,469



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A	23 8	25 1	....	—
Blue Chip	18 4	19 4	....	—
Fixed Yield	17 8	18.8	....	—
Guaranteed Mny	15 4	16.3	....	—
Managed	17.4	18 4	....	—
International	23.3	24.6	....	—
Property	14 8	15.6	....	—
Pacific	18 0	19.0	....	—
Equity	23.4	24.7	....	—
Special Sits	19.8	20.9	....	—
Int Currency	13 4	14 2	....	—
Index Linked Secs	10 3	10.9	....	—
American	16.6	17.5	....	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.08	14.78	....	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Multi Gwth July 6	£2.69143		....	—
Multi Gwth 'A' July 6	248.0	261 1	....	—
Op 8 Prop July 19	251.9	265.2	+1.2	—
Op 8 Equity July 19	294.3	309.8	+2.2	—
Op 8 Hy July 19	250.1	263.3	−0.7	—
Op 8 Man July 19	297.9	313.6	+0.3	—
Op 8 Dep July 19	194.1	204.4	....	11.46
Op 8 Int Bond July 19	161.8	170.4	−0.5	—
Op 8 Inc Dist July 19	128.0	134.8	−0.3	8.90
Op 8 Int Man July 19	171.3	180 4	−2.4	—
Op 8 US$ July 19	138.8	146.2	....	12.12
Pens B Pr Ac June 15	314 4	331.0	....	—
Pens B Pr Cp June 15	210.9	222 0	....	—
Pens B Eq Ac June 15	833.1	877.0	....	—
Pens B Eq Cp June 15	558.9	588.3	....	—
Pens B FI Ac June 15	366.4	385.7	....	—
Pens B FI Cp June 15	245.7	258.7	....	—
Pens B Md Ac June 15	522.0	549.5	....	—
Pens B Md Cp June 15	350.0	368.5	....	—
Pens B Dp Acc June 15	300.4	316.3	....	—
Pens B Dp Cp June 15	201.4	212.1	....	—

Britannia Funds—Series A

Am Smllr Co's July 18	123.0	129 5	....	—
Am Spec Sits July 18	328.3	345.6	....	—
Commodity July 18	70.8	74.6	....	—
Extra Inc July 18	108.1	113.8	....	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	167 5	176 4	−0 6	—
UK Equity	172 9	182 0	−1 2	—
Overseas Eq.	161 1	169 6	−1 3	—
American	166.8	175.6	−0.8	—
Far East	153 6	161.7	−1.4	—
Property	109.4	115 2	.	—
Fixed Int	146.7	154.5	−0 5	—
Indexed Gilt	94 4	99 4	−0 1	—
Deposit	110.6	116 5	+0 1	—

Pension Fund Prices

Man. Initial	163 6	172 3	+0 7	—
Man Acc.	179.3	188.8	−0.7	—
UK Eq. Initial	160.2	168 7	−1 5	—
UK Eq.	173.1	182.3	−1.5	—
Overseas Eq. Initial	182.0	191 6	−0 9	—
Overseas Eq.	205.5	216.4	−1.1	—
American Initial	177.4	186.8	−1 0	—
American	192.3	202.5	−1 0	—
Far East Initial	190.3	200 4	−1 6	—
Far East	206.7	217 6	−1.8	—
Prop. Initial	104.6	110 2	−0.1	—
Prop.	113.4	119 4	....	—
Fixed Int. Initial	129.2	136.1	−0 4	—
Fixed Int.	139.7	147.1	−0.5	—
Indexed Gilt Initial	89.5	94 3	−0.1	—
Indexed Gilt	97 1	102.3	−0 1	—
Deposit Initial	109.1	114.9	+0 1	—
Deposit	118 6	124 9	....	—

NPI Pensions Management Ltd.

Managed Fund	450.7	473 0	....	—

Prices June 29. Next dealing August 1.

New Zealand Sth. Brit. Insce. PLC
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key (Managed)	310 0	319 6	....	—
UK Equity	137.6	144.8	−1.1	—
American	232.2	244.4	+1.5	—
Pacific	321 0	337.9	+0.4	—
Property	148.4	156.3	+0 1	—
Gilt	168.4	177.3	−0.2	—
High Inc. Equity	124.8	135.3	....	—
High Inc. Fxd. Int.	96.3	101 4	+0 3	—
Deposit	146.0	153.7	....	—
Index-Linked Gilt	98.0	103.2	....	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	16.0	16.7	....	3.10
Chinese Fund	59 5	62.0	....	1 70
Precious Metal Fund	123 9	129 0	....	8.30
Vanguard Cmdy. Fd.	27 5	28.2	....	2.26
Financial Futures Fd.	52 6	54 8	....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd		58.57	−0.04	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
36 Berkeley Sq, W1X 5DA. 01-499 6634				
M hall Mny Fd	11 63	12.17	Qtrl	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11 58	11 95	6-mth	Call
7-day Fnd	10 84	11 16	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	11 88	12 23	6-mth	Call
7-day Fund	11 60	11 93	6-mth	7-day
Money Mngt Acct.	11 83	12 41		Call
Dollar	10.12	10 37	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasure Acc	10.625	11 05	Qtrl	Call
Monthly Acc	10 5	11 02	Mthl	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EN. 01-628 8060				
Cheque Acc.	11 15	11.74	Mthl	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10 25	10 65	Qtrl	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11 75	12 40	Mthl	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.5	12.13	Mth	Call
U.S. Dollar	11 0	11 73	Mth	Call
German Marks	5 0	5.19	Mth	Call
...				
High Int. Std. Acc.	11 11	11 75	Daily	Call
Premier Acc.	11.11	11 75	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	11 77	12.27	Qtr	Call
Money Acc.	11.50	12.00	Qtrl	Chq7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.75	12 40	Mthl	Call
Over £10,000	12 00	12.68	Mthl	Call

NOTES:—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ≠ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. Φ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

London gas oil futures changes proposed

By John Edwards, Commodities Editor

CHANGES aimed at improving the London gas oil futures contract have been put forward by the board of the International Petroleum Exchange for approval by its members, it was announced yesterday.

The main change is to bring in FOB (free on board) delivery to replace the in-tank delivery system used for the existing contract more similar to the physical gas oil market and provide an opportunity to introduce other improvements suggested by the industry. It is hoped that the olour test introduced last week will help avoid the delivery problems that hit the market last year.

If approved by members, FOB delivery will be introduced after the present trading months on the existing contract expire next March. However, it might be brought in earlier if there are not too many outstanding positions in the distant months.

Potato plantings fall estimated

By John Edwards

POTATO plantings in the UK are down this year compared with 1983, in spite of the high prices, according to a provisional estimate by the Potato Marketing Board yesterday.

The board put total 1984 plantings at 162,815 hectares against 165,195 last year. Main crop plantings are estimated to have fallen to only 116,080 hectares compared with 122,145 a year ago.

The board noted that this was a provisional estimate, which will be revised later.

Milk law 'a welcome step' say farmers

By Richard Mooney

THE PASSING in the House of Commons early yesterday morning of legislation implementing the milk quota scheme agreed by the EEC at the end of March was "a welcome step," a National Farmers' Union official said. However, he confirmed that the union remained opposed to the scheme in principle and did not like the way it was being applied in the UK.

The passing of the legislation would enable farmers selling their milk direct to the public to be informed of their quotas, and those whose output in the 1983 base year was reduced for some specific reason to apply for extra quota as "special cases," he said.

It will also allow the so-called outgoers scheme, under which some farmers will be allowed to exchange their production quotas for a share of a £50m Government fund, to get under way.

Under the scheme most producers will have to cut their milk production to 9 per cent below the 1983 level. Extra quotas for special cases will come out of a special reserve equivalent to 2½ per cent of the national quota plus quotas released under the outgoers scheme.

A number of adjustments have been made to the draft regulations originally issued by the Government.

Most importantly "special case" qualification has been extended to include producers whose 1983 output was cut by 15 per cent or more because of local weather conditions. The NFU is not happy with this, however. It wanted the qualifying level to be a 7½ per cent output cut.

Bleak warning for cereal growers

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE CEREAL growing sector of Britain's farming industry received a bleak warning from Mr Michael Jopling, Minister of Agriculture, yesterday at the annual lunch of the Home Grown Cereals Authority.

After paying tribute to the abilities of cereal farmers and underlining the increasing yields they had achieved since entry into the EEC he said: "It could not make sense for the Community to devote such a large proportion of its resources to supporting the cereals market, when it cannot afford to do so and when the result is to antagonise our trading partners, and prevent livestock farmers from using more Community grain."

The signs are, he continued, that the Community will have even more difficulty in disposing of surplus production in the coming season.

In particular, the measures of delaying intervention and other payments would be carried on over the year and together could mean a reduction of several percentage points in prices for next harvest.

He recognised that a whole series of remedies had been suggested, quotas, set asides and so on but he would recommend price restraint, something that he had proposed but failed to win support for as a solution to the milk situation.

This has been recommended by the National Farmers Union but has not as far as is known, found much favour with other EEC countries. In any case it is doubtful if price restraint alone, unless it is on a massive scale, will do much to reduce the surplus burden, although it may reduce its cost.

There is a factor, however, which could inflict cuts on British farmers alone. One of the solutions being suggested to the Commission's imminent exhaustion of funds is that payments to farmers should become national responsibilities. What mercy would British farmers face in these circumstances?

● UK barley exports during the first 12 days of July were 30,623 tonnes, according to documents received by Custom and Excise, the Home Grown Cereals Authority said yesterday.

This brought the total since the season started on August 1 last year to 3,836,309 tonnes, exceeding total exports of 2,579,400 tonnes for the 1982/83 (August/July) season.

Wheat exports for the first 12 days of July were only 8,500 tonnes making 1,814,095 for August '83 to July 12 compared with 2,190,900 tonnes for the whole of the previous season.

Reuter

Mr Michael Jopling: would recommend price restraint

The dilemma of environment versus efficiency

Farmers' viewpoint: By John Cherrington

IN THE past it has often been forgotten that guaranteeing farmers' incomes and protecting their markets are not the only functions of the EEC's Common Agricultural Policy.

There is also a guidance sector whose task is to maintain the viability of the Community's poorer farmer, those in the so-called less favoured areas (LFAs), by providing grants to help with the enlargement and improvement of their holdings.

Of late, however, the work of this sector has been coming in for some public criticism because of the increasing concern about the effect of farm improvement on the environment.

I have never been able to establish just what is meant by the term environment in this context. Farmers generally accept that if farming practices do harm to the health of the population they should be stopped. There are, for example, regulations prohibiting the use of certain chemicals and the discharge of effluents into water courses.

Recent criticisms, however, have been based largely on what might be called aesthetic values —changes in the landscape brought about by the intensification of farming.

If you travel through the Welsh hills for instance there is evidence on every side of grant-aided farming improvement; new buildings and fences; the emerald green of improved pastures; new roadways scratched across the hillsides so that farmers can reach their distant fields with fertilisers and seeds.

These improvements have certainly altered the landscape from what it was 25 years ago and must have meant the destruction of a quantity of plant, animal and bird life.

The aim is not primarily to increase production but to maintain the social life of the LFAs. Increasing output is a key to securing this, however. There is no doubt that had it not been for special aid both before and after entering the EEC the populations in these areas of the UK would have shrunk almost to vanishing point. As it is the ruins of abandoned farms are commonplace.

The improvements lead to higher stocking rates which bring increasing returns. Unimproved the holding would have to get ever larger to support the farmers. The alternative would have been more forest planting, which also sucks in public funds and makes fundamental changes to the environment of greater impact than improved farming.

Much more emotive are the reactions to improvements in what could be called the arable farming areas. Drainage grants have been a feature of farming policy for years. Most of the best arable land in Britain has been drained, some with systems that originated in Roman times.

There is certainly scope for more selective drainage and improvement of older systems.

High hedges and trees shade crops and interfere with modern farming systems. Older buildings are no longer suitable for modern needs. It is not sensible to expect farmers to deny themselves the advantage to be obtained by improvements to their holdings whether or not they are grant or subsidy aided.

The Countryside Commission recognises this and provides for compensation for farmers who leave their marshes and other parts of their farms in their present state. The trouble is that the Countryside Commission has insufficient funds to protect all the sites of scientific interest, special beauty and amenity and others which, for various reasons environmentalists would like to see preserved.

This is a problem which is aggravated by the well publicised and expensive surpluses which have been the result of farming policies since the war. What is the sense of paying one group of farmers to increase their output while at the same time paying others not to? This contradiction makes it almost certain that compensation will be restricted.

In these circumstances there would seem to be but two alternatives. To make the environmental effect of land improvement subject to planning controls as in housing areas for instance. You don't get compensation if you fail in a planning application. This would be a political hot potato if ever there was one.

The other would be to adopt a policy of deliberate neglect of farming: so ordering prices that only the most efficient farmers on the highest quality land could survive. This is in fact what happened in the great depression which started in the 1880s and produced many of the under farmed areas which are so interesting to the environmentalists today. Prior to 1880 much of Britain had been farmed up to the hilt.

I am not suggesting any solution. Just outlining the dilemma facing legislators.

Malaysian non-oil exports 'set to rise'

By Wong Sulong in Kuala Lumpur

MALAYSIA'S non-oil commodity exports for this year are conservatively expected to be 15.7bn ringgit (£5.1bn), representing a 13 per cent improvement over 1983.

Datuk Paul Leong, the Minister of Primary Industries said that according to his Ministry's latest estimates, the biggest increase would come from palm oil exports, which are estimated at 4.66bn ringgit for this year, or 56 per cent higher than in 1983.

He said this was based on an export volume of 2.91m tonnes valued at 1,600 ringgit per tonne, but said exports could be as high as 3.2m tonnes.

Cocoa exports are also expected to do well, rising by 53 per cent to 350m ringgit, while pepper export is projected to increase by 29 per cent in value to 101m ringgit.

Two commodities, whose export value are expected to decline are tin and rubber, while export revenue from timber should remain much the same as in 1983.

For rubber, a decline of 7.8 per cent in value is expected, from 3.66bn ringgit last year to 3.37bn ringgit.

Fall in Indian jute goods output

By P. C. Mahanti in Calcutta

INDIAN JUTE goods output fell to 107,040 tonnes during June from 108,000 tonnes in the previous month due to a tighter fibre supply situation, Indian trade sources say. However, the mills managed to produce hessian and carpet backing at a higher rate than in May in response to strong export demand.

PRICE CHANGES

In tonnes unless stated otherwise	July 19 1984	+ or −	Month ago
Metals			
Aluminium	£1100		£1100
Free Mkt	$1185-1215	−15	$1810/840
Copper Cash h Grade	£1024.5	−2.5	£975
3 mths	£1040.75	−2	£995.25
Cash Cathode	£1027	−5.5	£974.5
3 mths	£1044	−5.5	£993.5
Gold troy oz	$350.75	+5.5	$373.75
Lead Cash	£370.5	−8.5	£264.5
3 mths	£371.5	−7.25	£269.5
Nickel	£3902		£3097
Free Mkt	208-226c		[illegible]
Palladium oz	$140.50	+2	$161.25
Platinum oz	$344.00	+4	$375.80
Quick Silver	[illegible]		[illegible]
Silver troy oz	573.85p	+8.55	632.40p
3 mths	590.65p	+8.35	636.30p
Tin cash	£9370	−90	£9305
3 mths	£9310.5	−72	£9230
Tungsten	$85.17	−0.89	$85.74
Wolfram 22.04lb	$77.62	−2	$85.99
Zinc	£669.5	−1.25	£648.5
3 mths	£666.5	−1.75	£649.5
Producers	$980		$1050/1090
Oils			
Coconut (Phil)	$1400v		$1540
Groundnut			
Linseed Crude			
Palm Malayan	$595z	+15	$840
Seeds			
Copra Phil			$805
Soyabean (U.S.)	$291.7w	+4.6	$310.25
Grains			
Barley Fut. Nov	£109.90	+0.40	£106.35
Maize			£152.50
Wheat Fut. Nov	£111.50	+0.35	£107.30
No2 Hard Wint			
Other commodities			
Cocoa ship't*	£1823	+2	£1934.5
Futures Sep	£1757.5	+0.5	£1659
Coffee Ft. Sep	£2208	−1	£1923.5
Cotton A Index	78.00c	−0.2	82.60c
Gas Oil Aug	$220	−1	$234.5
Rubber (kilo)	70p		58.5p
Sugar (raw)	$92.5yz	+1	$107
Woolt'ps 64s	470p kilo		474p kilo

† Unquoted. x Sept. v Sept-Oct. w Aug. u Aug-Sept. y July-Aug. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

Prices continued to fall in early trading but met good support a dollar below the previous close. A similar picture in New York moved London to the highs, but trade selling at these levels put renewed pressure on the market. Prices stayed in a narrow range throughout the day, reports Premier Man.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.50-27.40	−0.05
Dubai Fateh	27.25-27.30	−0.08
Arab Heavy	26.40-26.55	−0.03
North Sea (Forties)	27.85-28.00	−0.15
North Sea (Brent)	28.00-28.15	−0.15
African (Bonny L't)	28.10-28.25	+0.05

PRODUCTS—North West Europe ($ per tonne)

Premium gasoline	261-264	
Gas Oil	225-229	−1
Heavy fuel oil	170-175	

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	US $ per tonne		
July	234.75	[illegible]	[illegible]
Aug	229.00	[illegible]	[illegible]
Sept	231.75	[illegible]	[illegible]
Oct	237.25	[illegible]	[illegible]
Nov	241.00	[illegible]	[illegible]
Dec	244.00	[illegible]	[illegible]
Jan	244.25	[illegible]	[illegible]
Feb	241.50	[illegible]	[illegible]
March	238.00	[illegible]	[illegible]

Turnover: 1,652 (1,612) lots of 100 tonnes.

GOLD MARKETS

Gold rose $5½ to $350½-351 on the London bullion market yesterday. It opened at $352½-353½ and was fixed at $352.35 in the morning, and $350.20 in the afternoon. The metal touched a peak of $354-354½ and a low of $350-350½.

In Paris the 12½ kilo gold bar was fixed at FFr 99,100 per kilo ($351.34 per ounce) in the afternoon, compared with FFr 99,000 ($351.34) in the morning, and FFr 98,100 ($348.45) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 32,355 per kilo ($352.50 per ounce), against DM 31,940 ($347.25) and closed at $346.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $352.50, against $347.75.

In Zurich gold finished at $350½-351, compared with $345½-$346.

LONDON FUTURES

Month	Yest'days close	+ or −	Business Done
	$ per troy ounce		
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]

Turnover: 375 (271) lots of 100 troy ounces.

	July 19	July 18
Gold Bullion (fine ounce)		
Close	$350½-351 (£264½-264¾)	$345-345½ (£262¾-263¼)
Opening	$352½-353½ (£267½-268)	$345½-345¾ (£262¾-263¼)
Morning fixing	$352.35 (£266.53)	$346.25 (£262.549)
Afternoon fixing	$350.20 (£265.504)	$348.25 (£262.626)
Gold and Platinum Coins July 19		
Krugrnd	$362-362½ (£273¼-273¾)	[illegible]
½ Krug.	[illegible]	[illegible]
¼ Krug.	[illegible]	[illegible]
1/10 Krug.	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]

EUROPEAN MARKETS

ROTTERDAM, July 19.

Wheat—(U.S.$ per tonne): U.S. Two Soft Red Winter Aug 152, Sept 153, Oct 155. U.S. Two Northern Spring 14 per cent protein Aug 176, Sept 175.50, Oct 175.50, Nov 178. U.S. Northern Spring 15 per cent protein Aug 20 Sept 10 178, Sept 178, Oct 180.50, Nov 183. U.S. Three Hard Amber Durum Aug 183, Sept 181, Oct 183.50, Nov 185. Canadian One Western Amber Durum July 16-31 190, Aug 193.50, Sept 189, Oct/Nov 192, Nov/Dec 194.

Maize—(U.S.$ per tonne): U.S. Three Yellow July 162.50, Aug 157, Sept 151, Oct/Dec 138, Jan/March 142 sellers. Argentine Plate afloat 166, Aug 163, Sept 164 sellers.

Soyabeans—(U.S.$ per tonne): U.S. Two Yellow Gulfports Aug 289.70, Sept 280.50, Oct 253.40, Nov 253, Dec 256.40, Jan 260.50, Feb 264, March 267.50 sellers.

Soyameal—(U.S.$ per tonne): 44 per cent Sept 194, Oct 193, Oct/Dec 195, Nov/March 198 sellers. Pellets Brazil afloat 187, July 188, Aug 188, Sept 193, Oct 196, Oct/Dec 200 sellers. Pellets Argentine afloat 181, July 182, Aug 184, Sept 186, Oct 193, Oct/Dec 195 sellers.

PARIS, July 19.

Sugar—(FFr per tonne): Oct 1264/1268, Dec 1315/1330, Mar 1420/1430, May 1475/1485, Aug 1565/1565, Oct 1605/1640.

Cocoa—(FFr per 100 kg): July 2100 ask, Sept 2038/2044, Dec 1946/1950, Mar 1930 bid, May 1940 bid, July 1945 bid, Sept 1950 bid.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were easier on the London Metal Exchange. COPPER edged up to £1,048 in early trading but ran into profit-taking and Commission House selling which lowered the price to £1,037 in the rings. However, renewed influential buying prompted a good rally and forward metal moved up to close the late kerb at £1,045. Profit-taking unsettled LEAD, which ended the day at £370.5, and ZINC, £665.25 but ALUMINIUM attracted strong support in late trading to close at £999.5, after £991.25.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	1018-9	−.75	1024-5	−2.5
3 months	1037.5	+2.5	1040.5-1	−2
Settlem't	1019	−.5		
Cathodes				
Cash	1022.5-3	+.75	1026-8	−5.5
3 months	1040-1	+2	1043-5	−1.5
Settlem't	1023			

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1,041, 40, 41, 40.5, 39, 38.5, 38, 37.5, 37, 37.5. Cathodes: Cash £1,022, 22.5, three months £1,040. Kerb: Higher Grade: Three months £1,037.5, 38. Afternoon: Higher Grade: Cash £1,024, three months £1,037, 37.5, 38, 38.5, 39, 40, 39.5, 40, 40.5. Cathodes: Three months £1,044. Kerb: Higher Grade: Three months £1,041, 40.5, 41, 42, 43, 42.5, 44, 45, 45.5, 46, 45. Turnover: 41,350 tonnes. U.S. Producers: 63-67 cents per pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	9470-1	−2	9415-30	−72.5
3 months	9430-1	−2	9370-80	−72.5
Settlem't	9471	−2		
Standard				
Cash	9425-35	−7.5	9355-65	−95
3 months	9380-1	−3	9310-11	−72
Settlem't	9435	−5		
Straits E.	$29.15			

Tin—Morning: Standard: Cash £9,380, 45, 50, 60. High Grade: Cash £9,470, three months £9,430. Kerb: Standard: Three months £9,380. Afternoon: Standard: Three months £9,340, 30, 35, 30, 20, 10. Kerb: Standard: Three months £9,310, 20, 25, 20, 10, 05, 9,300. Turnover: 2,210 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	378-9	−7	376-7	−8.5
3 months	376-7	−6	371-2	−7.25
Settlem't	379	−7		

Lead—Morning: Three months £376, 75, 72, 73, 72.5, 72, 71, 73, 72.5. Kerb: Three months £373, 73.5. Afternoon: Cash £373. Three months £372, 71, 70, 70.5. Kerb: Three months £372, 71, 70, 70.5. Turnover: 17,700 tonnes. U.S. Spot: 30-34 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	666.5-7	−2	670-2	−1.25
3 months	663.5-4	−3.5	666-7	−1.75
Settlem't	667	−2		

Zinc—Morning: Cash £666, three months £661, 61.5, 62, 63, 64. Kerb: Three months £663, 63.5. Afternoon: Cash £669, three months £663.5, 63, 64, 66, 65, 65.5. Kerb: Three months £667, 66, 65, 65.5. Turnover: 25,600 tonnes. U.S. Prime Western: 50.00-50.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	987.5-8	+1.5	971.5-2.5	+16.5
3 months	995.5	+1.5	996.5-7	+14.5

Aluminium—Morning: Cash £986, three months £994, 95, 94, 93, 92.5, 93, 93.5. Kerb: Three months £996, 95.5, 96, 95. Afternoon: Three months £992, 91.5, 92, 92.5, 93, 95, 96, 97, 98, 97, 97.5, 96.5, 97. Kerb: Three months £996, 96.5, 97, 98, 96, 97. Turnover: 22,350 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	3505-9	+2	3495-500	−17.5
3 months	3600-1	−5	3590-5	−14.5

Nickel — Morning: Three months 3,600, 01, 02, 3,600, 01, 02, 3,600, 02. Kerb: Three months £3,600. Afternoon: Cash £3,590. Three months £3,600, £3,590, 93, 90, 85, 80. Turnover: 768 tonnes.

SILVER

Silver was fixed 8.9p an ounce higher for spot delivery in the London bullion market yesterday at 573.85p. U.S. cent equivalents of the fixing levels were: spot 756.6c, up 13.4c; three-month 778.1c, up 13.4c; six-month 803.9c, up 12.8c; and 12-month 851.1c, up 10.6c. The metal opened at 573½-581½p (762-765c) and closed at 570-573p (756-759c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	573.65p	+8.55	572.5p	+8
3 months	590.65p	+8.35	590.5p	+10.7
6 months	608.05p	+8.45		
12months	640.05p	+8.60		

LME — (2,000 oz contract): Cash 572.5p (583.5p); three months 590.5p (579.75p). Turnover: 0 (0).

COCOA

Although a little steadier for most of the day, futures eased during the final hour to end only marginally above the previous close. The physical market was largely ignored and trading was restricted again to second-hand activity, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
July	1760-70	+6.0	1770-47
Sept	1756-60	+0.5	1780-43
Dec	1690-91	+2.0	1703-80
March	1675-76	+1.0	1689-61
May	1662-65	+1.5	1694-78
July	1661-65	+4.5	1700-09
Sept	1700-20	+10.0	

Sales: 2,840 (3,036) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 18: 99.04 (100.53); five-day average for July 19: 100.26 (100.74).

COFFEE

In thin conditions prices remained lower for most of the session as even good trade and commission house resistance dampened buying interest. Values briefly traded higher on the day, basis November and January, before late dealer selling prompted a slight retracement during a more active close, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
July	2195-97	−14.0	2199-89
Sept	2206-10	−13.5	2219-05
Nov	2217-20	−5.0	2225-11
January	2186-87	−1.0	2190-77
March	2060-64	−4.0	2065-57
May	2110-25	−12.5	2020
July	1980-00	−5.0	1990

Sales: 2,029 (1,704) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for July 18: Comp daily 1979 140.53 (141.55). 15-day average 142.79 (142.90).

GRAINS

LONDON GRAIN—Wheat: U.S. Dark Northern Spring No 1 14 per cent Aug 143.50, Sept 142.75, Oct 145 trans shipment East Coast. English feed fob Sept 111, Oct/Dec 115, Jan/March 119.50 sellers England. Barley: English feed fob Aug 109, Oct/Dec 113.75 England, Sept 109.50 Scotland sellers. Rest unquoted.

The markets remained very quiet with little change in values before rallying strongly late in the day on rumours of the dock strike ending. Barley closed just off highs with wheat at the highs, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd'ys close	+ or −
Sept	108.15	+0.45	106.90	+0.50
Nov	111.50	+0.35	109.80	+0.40
Jan	114.80	+0.40	113.00	+0.40
Mar	117.60	+0.50	115.70	+0.40
May	120.35	+0.45	118.00	+0.35

Business done—Wheat: Sept 108.10-7.70, Nov 111.50-10.95, Jan 114.80-4.40, March 117.60-7.10, May 120.35 only. Sales: 91 lots of 100 tonnes. Barley: Sept 107.05-6.50, Nov 109.45 only, Jan 113.00-2.70, March 115.70-5.40, May 118.00 only. Sales: 106 lots of 100 tonnes.

HGCA

HGCA — Locational ex-farm spot prices. Feed barley: S East 103.00, W Mids 102.40, N East 100.00. The UK monetary coefficient for the week beginning Monday July 23 is expected to remain unchanged.

PIGMEAT

The market continued to hold steady, attracting fresh speculative buying and short-covering, but this was met by hedge selling on the rise as reported by the dockets, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business Done
	p. per kilo (deadweight)		
Aug	114.9	115.0	115.4-115.1
Oct	119.2	119.4	119.7-119.2
Nov	121.1	121.1	121.5-121.0
Feb	118.0	118.1	118.5-118.0
April	118.3	118.1	118.5-118.0
June	117.4	117.4	117.4

Sales: 72 (73) lots of 50 carcases 3,250 kilos.

POTATOES

The market dipped again to test the £120 support area, basis April, several times. Forecasts of unsettled weather led to nervous price fluctuations. Further PMB provisional planting figures failed to have any appreciable effect on the market, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	90.50	92.00	92.50-90.00
Feb	100.00	100.50	100.50
April	121.60	123.50	123.8 120.0
May	128.50	130.50	128.0-127.5
Nov	72.50	77.50	—

Sales: 665 (699) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened about unchanged, drifted lower throughout the day and closed quiet. Lewis and Peat recorded a July fob price for No 1 RSS in Kuala Lumpur of 201.5 (202.0) cents a kg and for SMR 20 197.5 (199.0).

FUTURES—Close (buyer, seller, business). RSS No 1 £ per tonne: [illegible]. Sales: [illegible] lots of 5 tonnes, 15 (31) lots of 15 tonnes.

SOYABEAN MEAL

The market opened £1 higher in active trading conditions, reports T. G. Roddick. Carry-over shipper buying interest from Wednesday pushed the market higher still.

	Yesterday's close	+ or −	Business Done
	£ per tonne		
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]

Sales: 198 (153) lots of 100 tonnes, 9 (35) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE — Raw sugar £90.50 (£119.50), up £1.00 (up £1.50), a tonne for July/Aug/Sept delivery. White sugar $145.50, up $2.00.

The raws market rose £2 following a sharp rise in white sugar values after reports that no solution to the EEC's cash crisis was in sight, reports C. Czarnikow.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: No 6 2,402 (2,350) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £196.50 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for July 18: Daily price 4.32 (4.41); 15-day average 4.72 (4.78).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 475, 478, 482-479; Oct 490, 492, 492-490; Dec 492, 495, 495-492; Jan 493, 495, 496-494; March 504, 508, 511-504; May 508, 510, 514-509; Aug 522, 525, 531-524; Oct 522, 525, 530-525; Dec 522, 530, 530-525; Jan 524, 535, 531-520. Sales: 204.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 555.0, 557.0, 556.5-556.0; Oct 570.0, 572.0, untraded; Dec 574.0, 575.0, 575.0-574.5; March 585.5, 586.0, 585.5; May 594.0, 595.0, untraded; July 600.0, 603.0, untraded; Oct 585.0, 595.0, untraded; Dec 587.0, 600.0, untraded. Sales: 31.

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.27p per kg lw (+2.43). GB—Lambs 155.84p per kg est dcw (+3.97). GB—Pigs 84.51p per kg lw (+4.22).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 78.0 to 82.0; English forequarters 51.5 to 54.5. Veal—English fats 90.0 to 96.0; Dutch hinds and ends 126.0 to 131.0. Lamb—English small 66.0 to 70.0, medium 65.0 to 68.0, heavy 64.0 to 65.0; Imported: New Zealand PL 66.8 to 67.8, PX 59.8 to 60.8. Pork—English under 100lb 51.0 to 58.0, 100-120lb 51.6 to 56.0, 120-160lb 46.0 to 52.5.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package unless otherwise stated. English produce: Apples—Per pound, Bramley 0.18-0.28. Gooseberries—Per pound 0.14-0.15, Levellers 0.30-0.50. Cherries—Per pound 0.35-0.45. Strawberries—¼lb 0.16-0.20, ½lb 0.15-0.35. Raspberries—¼lb 0.15-0.20. Blackcurrants—½lb punnets 0.25-0.30. Redcurrants—½lb punnets 0.20-0.25. Potatoes—Per bag 56lb new, 2.60-3.00. Mushrooms—Per pound, open 0.60-0.75, closed 0.80-0.90. Lettuce—Per tray round 0.80-1.00. Cos dozen 1.40-1.50; Webb's 0.90-1.00; Iceberg 12s 4.00, 15s 3.00. Carrots—28-lb new crop 1.50-2.50. Greens—Kent 30lb 1.10-1.20, Primo 1.50-1.60. Tomatoes—Tray 12lb 5.40-5.80. Sugar Peas—1.00-1.20. Cucumbers—Tray 1.00-2.00. Cauliflowers—Dozen, Lincs 2.80-3.20. Spring Onions—Bunch 0.10-0.12. Radishes—Bunched 0.14-0.15. Celery—4.20-5.00. Watercress—Ice pack 20s 3.40-3.50. Salad—Crispa 16s 1.00-1.10. Courgettes—Per pound 0.30-0.40. Stick Beans—Per pound 1.00. Peas—Per pound 0.10-0.12. Beetroot—Per bunch 0.20, bags 28lb 3.00-3.50. Onions—55-lb bag 5.00-6.00. Calibrese—Per pound 0.40-0.50. Capsicums—Per pound 0.35-0.40.

COTTON

LIVERPOOL — Spot and shipment sales amounted to 66 tonnes. Orders were extensive as business remained brisk. Useful contracts were arranged on Middle Eastern account while African qualities were also sought on a broader scale.

HIDES

HIDES—Manchester (Leeds). Second clears. Ox: 31-35.5 kgs, 107.0 pakg (102.1p withdrawn); 26-30.5 kg, 117.5 pakg (116.0p withdrawn); 22-25.5 kg, 121.5 pakg (120.4p). Cows: 25.5 kg, 123.4 pakg (121.9p).

INDICES

FINANCIAL TIMES

July 18	July 17	M'th ago	Year ago
302.96	299.76	306.07	278.94

(Base: July 1 1952=100)

REUTERS

July 19	July 18	M'th ago	Year ago
1896.2	1891.5	1929.3	1861.5

Base: September 18 1931 = 100)

MOODY'S

July 18	July 17	M'th ago	Year ago
1025.3	1028.6	1056.4	1054.9

(Base: December 31 1974=100)

DOW JONES

Dow Jones	July 18	July 17	Month ago	Year ago
Spot	131.00	130.95	136.90	141.21
Fut	128.10	127.50	137.09	145.95

(Base: December 31 1974 = 100)

AMERICAN MARKETS

NEW YORK, July 19.

Lack of follow-through buying along with heavy dealer selling pressured gold and silver values as long liquidation developed, reports Heinold Commodities. Copper was steady as commission house buying ran into continued trade selling. Sugar was mixed with nearbys remaining weak on good cash availability. Cocoa found light support from manufacturer price fixing. Coffee was mixed with light buying by roasters supporting the distant months. Cotton was weak on bearish chart formation and favourable new crop prospects. Heating oil was unable to sustain an early rally associated with another report of an Iraqi attack on a tanker near Kharg Island and came under pressure on continued good crude availability. The soyabean complex lost early sharp gains as a pickup in cash movement led to long liquidation late in the session. Maize and wheat were supported on the evidence of good export demand.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	52.65	—	—	52.25
August	52.95	—	—	52.55
Sept	53.50	53.75	52.70	53.10
Dec	55.20	55.40	54.30	54.75
Jan	55.75	—	—	55.30
March	56.90	—	—	56.40
May	58.05	—	—	57.50
July	59.20	—	—	58.65
Sept	60.35	—	—	59.80
Dec	62.00	—	—	61.40

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Sept	2158	2174	2146	2142
Dec	2112	2125	2104	2094
March	2112	2120	2100	2098
May	2120	2130	2120	2111
July	—	—	—	2130
Sept	2190	—	—	2141
Dec	2215	—	—	2171

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	144.50	45.90	44.00	45.38
Sept	140.88	41.70	40.70	41.15
Dec	137.70	38.40	37.50	37.50
March	136.11	36.75	36.11	35.90
May	134.76	—	—	34.51
July	133.55	33.00	33.00	33.49
Sept	132.38	—	—	32.05
Dec	131.75	—	—	31.55

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	59.70	59.50	59.60	58.60
August	59.80	—	—	59.75
Sept	60.40	60.90	—	60.35
Dec	62.15	62.50	61.80	62.10
Jan	62.75	—	—	62.70
March	63.95	64.25	63.60	63.85
May	65.20	65.55	64.70	65.10
July	66.50	66.85	66.30	66.35
Sept	67.75	67.85	67.85	67.60
Dec	69.65	69.30	69.20	69.50

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	68.70	69.50	68.25	69.32
Dec	68.77	69.65	68.32	69.34
March	70.80	71.40	70.30	71.16
May	71.75	72.15	71.55	72.15
Oct	72.20	—	—	72.55

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
Sept	28.68	28.93	28.63	28.91
Oct	28.88	29.09	28.85	29.07
Nov	28.97	29.23	28.97	29.24
Dec	29.05	29.35	29.00	29.36
Jan	29.05	29.32	29.02	29.40
Feb	29.00	29.26	29.14	29.25
March	29.00	29.15	29.15	29.25
April	29.00	29.25	29.00	29.95
May	29.00	—	—	29.20
June	28.95	—	—	—

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	347.3	350.2	348.5	349.2
August	348.3	353.5	347.3	350.3
Sept	351.7	—	—	353.7
Oct	355.1	360.0	354.0	357.2
Dec	362.3	367.4	361.2	364.4
Feb	369.7	374.8	368.5	371.8
April	377.1	381.5	377.5	379.2
June	385.0	390.3	390.2	387.1
August	393.3	397.5	396.5	395.3
Oct	401.9	—	—	403.9
Dec	410.7	416.2	413.0	412.7
Feb	419.8	—	—	421.8
April	429.0	—	—	431.0

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
August	75.65	76.05	75.40	75.76
Sept	76.15	76.80	76.05	76.34
Oct	77.20	77.80	77.00	77.52
Nov	78.40	79.00	78.25	78.75
Dec	79.61	80.25	79.45	80.00
Jan	80.30	80.90	80.00	80.90
Feb	80.25	80.75	80.25	80.66
March	78.75	78.75	78.75	78.86
April	77.00	77.00	77.00	77.10

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	168.95	69.00	67.25	68.40
Nov	166.85	68.95	65.50	66.25
Jan	166.40	66.40	65.00	65.40
March	167.40	—	—	66.40
Sept	167.40	—	—	66.40
Nov	167.40	—	—	66.40

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	341.2	—	—	344.7
Sept	354.0	—	—	—
Oct	349.2	355.0	349.0	353.0
Jan	359.5	364.5	360.0	363.6
April	369.5	376.0	372.5	374.1
July	379.3	384.0	382.5	384.6
Oct	389.3	—	—	395.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	744.7	760.0	749.0	759.5
August	747.5	—	—	762.5
Sept	755.0	776.0	753.0	770.0
Dec	778.5	800.0	777.0	793.4
Jan	786.7	—	—	801.5
March	803.2	822.0	804.0	817.9
May	820.7	840.0	830.0	835.4
July	838.7	849.0	840.0	853.4
Sept	858.8	878.0	875.0	872.7
Dec	888.7	905.0	902.0	903.4

SUGAR WORLD "11" 112,000, cents/lb

	Close	High	Low	Prev
Sept	4.42	4.54	4.42	4.47
Oct	4.66	4.80	4.64	4.69
Jan	5.14	5.28	5.18	5.16
March	5.76	5.85	5.74	5.74
May	6.03	6.15	6.03	6.00
July	6.35	6.41	6.34	6.29
Sept	6.58	6.65	6.65	6.53
Oct	6.77	6.86	6.74	6.74

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	64.40	65.10	64.30	65.10
Oct	63.32	64.35	63.25	63.82
Dec	64.95	65.65	64.80	65.27
Feb	65.30	65.90	65.15	65.55
April	66.05	66.55	66.00	66.20
June	67.00	67.35	67.00	67.05

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	55.37	55.40	55.05	55.02
August	54.05	54.12	53.62	53.65
Oct	50.95	51.25	50.75	50.70
Dec	52.47	52.82	52.35	52.20
Feb	54.07	54.15	53.70	53.97
April	50.57	50.70	50.20	50.15
June	53.60	53.70	53.25	53.45
July	54.70	54.70	54.30	54.72
August	52.82	52.86	52.82	52.45

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	352.6	355.4	352.0	355.2
Sept	311.2	315.4	311.0	312.2
Dec	290.4	293.6	290.4	289.4
March	300.4	302.6	300.0	298.6
May	307.6	310.4	307.4	305.6
July	310.0	313.0	310.0	308.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	56.85	55.85	55.00	53.85
August	54.50	54.50	53.30	52.50
Feb	69.40	69.90	68.72	68.17
March	68.80	69.30	68.15	67.60
May	70.25	70.40	69.18	69.05
July	71.65	71.80	70.50	70.50
August	69.75	69.75	69.75	68.25

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	700.0	724.4	690.0	708.4
August	691.0	718.0	685.0	700.4
Sept	658.4	681.4	663.0	669.0
Nov	640.0	657.0	632.0	641.0
Jan	650.0	668.0	645.0	656.0
March	664.0	682.0	659.0	667.0
May	674.4	689.4	668.0	677.0
July	679.4	695.0	679.0	682.4
August	677.0	690.0	677.0	678.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	168.5	174.0	168.5	170.0
August	169.2	174.8	169.0	170.4
Sept	170.8	175.0	170.5	171.5
Oct	169.5	172.0	168.5	169.8
Dec	172.2	175.0	171.7	172.7
Jan	174.7	177.5	174.5	174.3
March	177.5	180.7	177.5	177.5
May	180.0	181.5	180.0	179.0
July	180.5	—	—	179.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	31.95	32.35	31.40	30.53
August	29.63	30.52	29.35	29.53
Sept	28.20	29.02	27.90	28.05
Oct	26.37	27.04	25.90	26.25
Dec	24.40	25.36	24.15	24.51
Jan	24.25	25.20	24.20	24.40
March	24.38	25.20	24.18	24.30
May	24.80	25.14	24.60	24.30
July	24.86	—	—	24.40
August	23.86	—	—	23.95

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	339.4	340.2	338.4	338.0
Sept	346.4	348.0	346.2	345.2
Dec	361.4	364.0	361.2	360.6
March	371.4	373.6	371.2	371.0
May	374.2	376.4	374.2	374.0
July	360.4	362.2	360.4	360.0

SPOT PRICES—Chicago loose lard 26.50 (26.00) cents per pound. New York tin 573.0-80.0 (573.0-78.0) cents per pound. Handy and Harman silver bullion 762.60 (741.60) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling improves

Sterling rose to its best level for two weeks in currency markets yesterday. The firmer trend reflected a softer dollar and rumours of progress towards a settlement in the dock strike. The validity of these rumours remained unconfirmed but provided sufficient reason not to sell sterling until the situation became clearer.

Part of sterling's improvement *was gained at the expense of the* dollar as most major currencies benefited from uncertainty surrounding the U.S. unit ahead of the release of U.S. money supply figures. *There* was also some hesitantcy before next week's second quarter GNP figures. Against this background there was insufficient impetus to push the dollar into new ground. On Wednesday it touched record highs against some currencies.

Sterling's trade weighted index rose to 78.6 from 78.2, having stood at 78.4 at noon and 78.2 in the morning. Against the dollar it rose to $1.3260-1.3270, a rise of 1.3c from Wednesday. It was *also higher* against the D-mark at DM 3.7775 from DM 3.76 and FFr 11.60 compared with FFr 11.54.

The dollar slipped to DM 2.8445 from DM 2.8620 on Wednesday and SwFr 2.4070 compared with SwFr 2.4210. It was also lower in terms of the Japanese yen at Y243.0 from Y243.90 and FFr 8.7250 against FFr 8.7850. On Bank of England figures, the dollar's trade weighted index fell from Wednesday's record high of 136.9 to 136.8.

Federal funds were trading at 11⅝ per cent at the start of the new account and gave little indication of any change in the Fed's stance after a meeting of the Federal Open Market Committee earlier this week.

D-MARK — Trading range against the dollar in 1984 is 2.8620 to 2.5535. June average 2.7393. Trade-weighted index 124.4 against 123.8 six months ago.

The D-mark was firm against its EMS partners at the Frankfurt fixing, but was fixed lower against the dollar and sterling. The Bundesbank sold $28.65m *when the dollar was fixed* at DM 2.8574, after selling $39.6m when the U.S. currency was fixed at DM 2.8515 on Wednesday. The dollar was below the 10-year *peak touched in late European* trading on Wednesday, but remained underpinned by high U.S. interest rates and by expectations that U.S. second quarter gross national product growth published next Monday will be higher than the recent flash estimate of 5.7 per cent. Sterling rose to DM 3.7670 from DM 3.7540, but the French franc fell to DM 32.560 per 100 francs from DM 32.565.

FRENCH FRANC — Trading range against the dollar in 1984 is 8.7850 to 7.99. June average 8.4167. Trade-weighted index 65.7 against 65.6 six months ago.

The dollar weakened from the record high touched against the *French franc in late European* trading on Wednesday, but was at an all time fixing high in Paris yesterday. It rose to FFr 8.7730 from FFr 8.7565, compared with the previous highest fix of FFr 8.7600 on July 13. The franc showed mixed changes against other major currencies, improving against the D-mark, Dutch guilder and Swiss franc, but losing ground to sterling. The D-mark was fixed at FFr 3.0703, compared with FFr 3.0704 on Wednesday, and FFr 3.0687 at the end of last week. Sterling rose to FFr 11.5620 from FFr 11.5355. Trading in the franc was rather nervous as ministers were named to form the new government.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.2555	+0.79	+0.74	±1.5447
Danish Krone	8.14104	8.17272	+0.39	+0.34	±1.6425
German D-Mark	2.24184	2.23699	−0.22	−0.27	±1.0642
French Franc	6.87456	6.86848	−0.07	−0.12	±1.4052
Dutch Guilder	2.52595	2.52466	−0.05	−0.10	±1.4964
Irish Punt	0.72569	0.725240	+0.49	+0.44	±1.6699
Italian Lira	1403.49	1375.11	−2.02	−2.02	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	July 19	Prev. close
Spot	$1.3265-3275	$1.3165-3175
1 month	0.09-0.04 pm	0.09-0.04 pm
3 months	0.07-0.02 dis	0.03-0.02 dis
12 months	1.53-1.38 dis	1.60-1.75 dis

£ forward rates in U.S. cents discount.

THE POUND SPOT AND FORWARD

July 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 77.05-77.15. Six-month forward dollar 0.30-0.37c dis, 12-month 1.30-1.45c dis.

THE DOLLAR SPOT AND FORWARD

July 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.10-58.15.

OTHER CURRENCIES

July 19	£	$		Note Rates
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

July 19	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 19	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for July 18: 1.35696.

EXCHANGE CROSS RATES

July 19	Pound Sterling	U.S. Dollar	Deutsche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.327	3.778	323.0	11.60	3.198	4.253	2325.	1.763	76.45
U.S. Dollar	0.754	1.	2.845	243.0	8.725	2.407	3.206	1749.	1.329	57.50
Deutschemark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): [illegible]

FINANCIAL FUTURES

Confused trading

Trading in gilt futures was rather confused on the London International Financial Futures Exchange yesterday. Gilts for September delivery opened firm at 99-02, compared with 98-31 previously, encouraged by a rally in U.S. bonds overnight. But the market did not like the sharp rise in sterling interbank interest rates and the contract fell to a low of 98-07. In the afternoon rumours of a settlement to the docks dispute led to a sudden recovery, but trading soon ran out of steam as it became clear the rumours were at best premature, and the September gilt closed at 98-18, compared with a high on the day of 99.10.

Volume in three-month sterling was good. The September contract opened weak at 88.25, and declined to a low of 88.22 reflecting concern at the rising trend in money market interest rates. Sterling was not under any pressure on the foreign exchanges however, and the market remained reasonably relaxed. Rumours about the docks helped September delivery recover to a peak of 88.55, and the contract held on to most of its gains to close at 88.49, compared with 88.25 previously.

September Eurodollars opened firm at 87.76, in line with trading overnight on the IMM in Chicago. The contract closed at the same level, compared with 87.64 previously after trading in a narrow range.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.76	87.79	87.73	87.64
Dec	87.02	87.04	86.96	86.92
March	86.65	86.65	86.58	86.53
June	86.37	—	—	86.25
Sept	86.16	—	—	86.05

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4149	—	—	0.4136
Dec	0.4204	—	—	0.4201

Est volume nil (2)
Previous day's open int 224 (224)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	99.70	99.90	99.00	100.15
Dec	99.70	99.70	99.50	100.35
March	99.95	—	—	100.60

Est volume 421 (540)
Previous day's open int 934 (960)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100% · 20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100% · STERLING £25,000 $ per £ · DEUTSCHE MARKS DM 125,000 $ per DM · SWISS FRANCS SwFr 125,000 $ per SwFr · U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	62-26	63-00	62-24	62-17
Dec	62-05	62-05	62-05	61-28
March	61-24	—	—	61-15

Est volume 932 (823)
Previous day's open int 1,209 (1,207)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% · U.S. TREASURY BILLS (IMM) $1m points of 100% · CERT. DEPOSIT (IMM) $1m points of 100% · THREE-MONTH EURODOLLAR (IMM) $1m points of 100% · STERLING (IMM) Se per £ · GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	64-17	64-20	64-15	64-15
March	63-22	—	—	63-19
June	—	—	—	62-28
Sept	—	—	—	62-11
Dec	62-01	62-01	62-00	61-29
March	—	—	—	—
June	—	—	—	61-13

Legal Notices

CREDITORS' VOLUNTARY WINDING-UP
NOTICE OF MEETING OF CREDITORS
Pursuant to Section 293 Companies Act. 1948
HALECLOSE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act, 1948, that a meeting of the Creditors of the above-named Company will be held at 14 Mayfield Gardens, London NW4, on Thursday, the eighth day of August, 1984, at 1 o'clock in the afternoon, for the purpose of having a full statement of the position of the Company's affairs, together with a List of the Creditors of the Company and the estimated amount of their claims, laid before them, and for the purpose, if thought fit, of nominating a Liquidator and of appointing a Committee of Inspection.

NOTICE IS ALSO GIVEN THAT, for the purpose of voting, Secured Creditors must (unless they surrender their security), lodge at the Registered Office of the Company at Harford House, 101-103 Great Portland Street, London W1N 6BH, before the Meeting a Statement giving particulars of their security, the date when it was given, and the value at which it is assessed.

Dated this 12th day of July, 1984.
By Order of the Board of Directors,
A. BARNETT,
Director.
Witnessed by
M. NEUBERGER,
Solicitor, of Newman House, Russell Parade, London NW11.

Company Notices

CITY OF OSLO
1972-1987 6¾%
LUX. FRANCS 800,000,000
EXTERNAL LOAN

Bondholders are informed that the City of Oslo has satisfied the Lux. Francs 100,000,000 instalment due September 25, 1984 by bonds purchased in the open market.

Amount outstanding: Lux. Francs 300,000,000.

The Fiscal Agent
KREDIETBANK S.A. Luxembourgeoise
Luxembourg, July 20, 1984

THE COMMERCIAL BANK OF THE NEAR EAST PLC
INTERIM STATEMENT
The unaudited results for the six months ended 30th June, 1984, show an improvement compared with those for the same period last year.
Bankside House, 107-112, Leadenhall Street, London EC3A 4AE.

MONEY MARKETS

UK rates edge firmer

UK interest rates were firmer yesterday although longer term rates *finished below the day's* highs on rumours of progress in the current dock strike. Early quotations showed a flat yield out to one year as the market awaited some guidance from the Bank of England. Rumours circulating later in the day prompted a softer tone at the longer end to produce an identifiable reverse curve.

Beneath this superficial reflection there appeared to be little long term confidence however with market sentiment intrinsically linked to the performance of U.S. interest rates. Much will depend on next week's *second quarter GNP figures* which are rumoured to show an upward revision from the earlier flash estimate.

UK clearing banks' base lending rate 12 per cent (since July 12-13)

In London three-month interbank money touched 12⅞-12¾ per cent before slipping away to close at 12 13/16-12 11/16 per cent still up from 12 7/16-12 5/16 per cent on Wednesday. Three-month eligible bank bills were bid at 11 13/16-11¾ per cent up from 11 23/32 per cent. Overnight interbank money started at 12 5/16-12⅜ per cent and was bid around 12¼ per cent until early afternoon when rates fell away to a low of 1 per cent.

The Bank of England forecast a shortage of around £550m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £270m and Exchequer transactions a further £225m. There was also a rise in the note circulation of £35m and banks brought forward balances £10m below target.

To help alleviate the shortage, the Bank offered an early round of assistance. This comprised purchases of bills worth £292m and was made up of £16m of eligible bank bills in band 2 (15-33 days) at 11⅞ per cent and £24m in band 3 (34-63 days) at 11⅞ per cent. In band 4 (64-91 days) it bought £21m of local authority bills and £231 of eligible bank bills at 11⅞ per cent.

The forecast was later revised to a shortage of £500m before taking into account the early help and the Bank gave additional help in the morning of £176m. This comprised purchases of £2m of eligible bank bills in band 1 (up to 14 days) at 12 per cent and £2m in band 2 at 11⅞ per cent. In band 3 it bought £1m of Treasury bills and £72m of eligible bank bills all at 11⅞ per cent and in band 4 £10m of local authority bills and £89m of eligible bank bills.

The forecast was again revised to a shortage of £450m before taking into account the early help and there was no further intervention in the afternoon. Total assistance came to £468m.

MONEY RATES

July 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lombard	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intervention	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 19 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 a.m. July 19)

Three months U.S. dollars

bid 12	offer 12 1/8

Six months U.S. dollars

bid 12 3/8	offer 12 3/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Four years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of interest period June 6 to July 3 1984 (inclusive): 9.488 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rate for sums at seven days' notice 8¾-9 per cent. Treasury Bills: Average tender rate of discount 11.3868 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 12¼ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 10 per cent from July 20. Deposits held under Series 4-5 12¼ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12¾-12⅞
Fed funds	11⅝
Fed funds at intervention	—

Treasury Bills

One month	9.37
Two month	9.63
Three month	10.14
Six month	10.51
One year	10.58

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 18, 1984. The Exchange rates listed are middle rates between buying and selling rates as quoted *between banks, unless otherwise indicated. All currencies are quoted* in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for particular transactions. Bank of America NT & SA does not undertake to trade in all listed *foreign currencies, and neither Bank of America NT & SA nor the* Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of July 18 at 11.00 a.m.
3 months: 12 7/16 6 months: 12¾

ECU=$US.784334 SDR1=$US1.01923
Sibor as of July 18 at 11.00 a.m.
3 months: 12 7/16 6 months: 12¾

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.60
Albania	Lek	7.6651
Algeria	Dinar	5.005
Andorra	Fr. Franc	8.7575
	Sp. Peseta	161.17
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.7575
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	82.4684
Guinea Rep	Syli	24.3196
Paraguay	Guarani (O)	240.00
	Guarani (d)	393.50
Peru	Sol	3465.00
Philippines	Peso (5)	18.065
Pitcairn Is	N.Z. Dollar	2.0008
Poland	Zloty (O)	113.80
[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Mali Rp.: has rejoined U.M.O.A. and effective June 1 CFA franc is official currency. (3) Mali Rp.: Mali franc remains legal tender for three months from June 1. (4) Saudi Arabia: Riyal revalued from 3.52 to 3.51, June 6. (5) Philippines: Currency allowed to float, June 8. (6) Uganda: June 14, Two-tier system abolished. (7) Tanzania: June 14, Official devaluation of 26.9 per cent. (8) New Zealand: Official devaluation of 20 per cent, July 18. (9) Botswana: Approx. 6 per cent devaluation effective July 9. For further information please contact your local branch of the Bank of America.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 19.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	88⅞	89¼	+0¼	+0⅞	13.66
All Nippon Airways 14 94	100	103	103½	+0⅛	+1	13.39
American Savings 12 89	125	96⅞	97⅜	0	−0¼	12.81
American Sav 12⅛ 89	100	97⅛	97⅝	0	0	12.98
Australian Ind Dev 11 89	75	90½	91	0	−0¼	13.62
Austria Rep 13⅝ 92	100	98½	99	+0⅛	+0½	13.88
Beneficial O/S Fin 12 91	100	88½	89	+0¼	+0¼	14.75
Citicorp O/S 11¾ 89	100	†93½	94	0	+0⅛	12.68
C.N.C.A. 13⅛ 91	100	96⅝	97⅛	0	+1	13.96
Coastled Int 12⅛ 88	125	95½	96	0	+0½	13.71
Creditanstalt 13⅛ 91	100	96¾	97¼	+0¼	−1¼	13.80
D.N.C. 11¾ 91 WW	50	87½	88	0	0	14.75
D.N.C. 11¾ 91 XW	50	87	87½	0	0	14.88
Denmark Kingdom 12 91	100	90⅜	90⅞	+0⅛	+0⅝	14.23
Denmark Kingdom 13 91	100	95¼	95⅞	+0¼	+0⅝	14.01
Digital Equip 11¾ 89	150	93⅜	93⅞	+0⅛	+0⅛	13.64
E.D.C. 11⅛ 89	150	91⅞	92⅜	+0⅛	+0½	13.49
E.I.B. 12½ 90	100	95⅛	95⅝	0	+0¼	13.67
E.I.B. 12⅞ 94	100	95½	96	+0⅛	+0½	13.66
Eurofima 12½ 91	100	94⅞	95⅜	0	+0⅜	13.81
Ex-Im Bk Japan 13¼ 91	75	101⅝	102⅛	+0⅛	+0⅝	12.81
First Michigan 13¼ 89	125	97⅞	98⅜	+0⅝	+0⅜	13.79
Florida Fed Sav 12⅞ 89	100	95¾	96¼	+0½	+0⅛	13.52
Gen Elec Credit 0 96	600	24½	25	0	0	12.37
Gen Elec Credit 11 91 WW	200	92⅝	93⅛	+0⅛	0	12.62
Genossen Zentral 14 91	100	98⅞	99⅜	+0⅛	0	14.28
Gulf & Western 12⅛ 89	100	91⅞	92⅜	0	+0⅛	14.52
I.I.I. 12 89	100	93¾	94¼	+0¼	+0⅛	13.77
Indust Bk Japan 11½ 89	125	91⅞	92⅜	0	+0⅛	13.87
Indust Bk Japan 13⅞ 91	125	100⅜	100⅞	0	+0⅜	13.75
Int Paper O/S Fin 12 91	75	96⅝	97⅛	+0¼	+0¾	12.69
Japan Air Lines 12½ 94	70	93⅞	94⅜	0	+0⅛	13.08
L.T.C.B. 11⅞ 89	100	92⅜	92⅞	0	+0¾	14.07
Macy O/S 11¾ 91	100	92	92½	+0¼	+0¾	13.59
Mitsui Trust Fin 12 91	100	90⅝	91⅛	+0⅛	+0½	14.10
Montreal City 12½ 91	70	94⅛	94⅝	+0½	+0⅛	13.77
Morgan Guaranty 12¼ 89	150	93⅝	94⅛	+0⅛	+0⅝	14.06
Nat Gasunie 11¼ 91	75	90⅝	91⅛	+0¼	+0⅜	13.37
Newfoundland Prov 13 91	75	99½	100¼	+0¼	−0⅞	12.99
Nippon Tele 11⅞ 90	100	94¾	95¼	+0⅛	+0⅜	12.64
Nova Scotia Pro 11¾ 91	100	90	90½	+0⅛	+0⅛	14.08
Ontario Hydro 11⅝ 94	200	89⅜	89⅞	+0⅛	+0⅝	13.59
Quebec Hydro 11½ 92	100	†90¼	90¾	0	0	13.42
Quebec Province 12⅛ 94	150	92¼	92¾	+0⅛	−0⅛	13.67
Rockefeller Grp 13¼ 89	100	102	102½	+0⅞	+0¾	12.59
Royal Bk of Can 11½ 89	100	90¼	90¾	+0¼	+0½	14.42
Rural & Ind Bk 12 91	50	91¾	92¼	+0¼	+0⅝	13.80
Sears O/S Fin 11⅝ 91	150	91⅞	92⅜	+0¼	+0⅝	13.47
Sec Pac O/S Fin 11⅝ 89	75	†88½	89	0	0	15.15
Sec Pac O/S Fin 12 92	100	91	91½	+0⅛	+0½	13.89
S.E.K. 11½ 88	100	91½	92	0	+0⅝	14.62
Shearson/Amex 12⅛ 94	100	91⅛	91⅝	+0⅛	+0⅝	13.78
Statoil 12 88	100	96	96½	+0⅛	+0⅛	13.25
Sumitomo Fin 12¾ 91	150	94	94½	0	+1	14.09
Sweden Kingdom 12⅞ 89	200	94⅝	95⅛	0	+0⅛	13.87
Texas Insts Int 11⅞ 91	150	91⅜	91⅞	+0⅛	+1	13.84
Tokai Asia 12⅛ 91	100	91⅝	92⅛	+0⅛	+0⅜	14.19

World Bank 11⅜ 89; Yasuda Tst&Fin 12⅜ 89; Average price change On day +0⅛ on week +0½ [illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

OTHER STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate († three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. Cr. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CAPITAL MARKETS

EUROBONDS

Lead manager of GE deal finds few takers

BY MAGGIE URRY IN LONDON

BY CLOSE of business last night, Smith Barney was still unable to announce the co-management group for its $150m deal for General Electric, won against tough bidding on Tuesday morning. This near three day delay in putting a group together is thought by some Eurodollar bond dealers to be unprecedented.

Smith Barney say that legal problems to do with back-up witholding tax – which could apply to foreign holders of debt assumed by U.S. corporations – following the Presidential signing of the tax bill on Wednesday, were to blame. Other issue managers pointed out that recent deals for Coca-Cola and Texaco had avoided these difficulties. The slowness to form a group again raised questions over the pricing of the deal with a 12½ per cent coupon.

The issue was quoted at a discount outside its 1⅞ per cent total fees – and indications to bankers by Smith Barney that the fees might be raised by ⅛ point only added to the confusion.

Otherwise the market was quiet with Eurodollar bonds gaining around ⅛ point.

In the Samurai bond market, Électricité de France raised Y30bn on slightly better terms than the recent Malaysian issue. Nomura Securities priced it at par with a 7.8 per cent coupon.

Trading in both D-Mark and Swiss franc bonds was quiet. D-Mark bonds fell ⅛ to ¼ point, while Swiss franc bonds were unchanged.

BHF Bank bond average		
July 19		Previous
98.873		98.864
High	1984	Low
100.009		98.056

WEEKLY U.S. BOND YIELDS (%)

	July 18	July 11	1984 High	1984 Low
Composite Corp. AA	13.76	13.90	14.23	12.19
Government:				
Long-term	13.12	13.31	13.89	11.51
Intermediate	13.18	13.35	13.79	11.33
Short-term	12.80	13.02	13.22	10.70
Municipal	10.57	10.57	11.14	9.48
Industrials AAA	13.13	13.26	13.66	11.79
Industrials AA	13.69	13.72	14.13	12.02
Utilities AA	13.84	14.06	14.46	12.33
Preferred Stocks	12.09	12.17	12.17	11.07

Source: Standard & Poor's

OVER-THE-COUNTER

Continued from Page 28

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